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MORTGAGE-BACKED SECURITIES *Tables begin on page 12*

AMERICAN BANKER

VOL. CLV NO. 14 *Monday, January 22, 1990* *55th year*

Revoked Pacts A Blow to S&Ls, But Not Fatal

By STEVE KLINKERMAN

DALLAS — The recent decision by thrift regulators to revoke agreements that softened capital rules for sick thrifts that were acquired in the past 10 years is a major setback to many of these institutions. But it is unlikely to prove the death knell that some observers had expected.

"The decision by itself shouldn't drive anybody over the brink and into the clutches of the Resolution Trust Corp.," said John Robinson, deputy director of supervision for the Office of Thrift Supervision.

To varying extents, the OTS decision affects 411 institutions that were acquired with federal assistance since 1980, said Mr. Robinson.

ANALYSIS *Follow-up on the news*

He said the specific impact on each institution would not be known until each of their assistance contracts is examined, a process that will likely take several months.

Many of the affected institutions already were candidates for federal takeover because of other capital changes mandated by Congress, such as the limiting of goodwill as a component of core capital.

In New York, for example, Empire of America Savings Bank had $714 million of goodwill disallowed as capital. It finished the third quarter of 1989 with a $53.5 million capital deficit, and is seeking open thrift assistance.

Shareholders Underwater

The OTS decision further hurts Empire's finances because it can no longer count government-owned stock as capital. "Shareholders already are underwater, so it doesn't matter," said Empire spokesman Lynn Casteel.

But the recent OTS contract abrogations have a big impact on thrifts rescued in 1988, especially those in Texas.

In Dallas, American Federal Bank at Sept. 30 fell $30 million short of the core capital required to support its $3 billion of assets. Its chairman, William Gibson, resigned abruptly late Wednesday.

Canceling Growth Plans

At best, American Federal will have five years to make up the shortfall, instead of the ten years it would have had if the OTS had not changed the rules. It has canceled plans for growth and acquisitions – an action taken by many thrifts affected by the OTS decision – and is rushing to

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INSIDE NEWS

FINANCE

NCNB CORP. HAS BECOME the first banking company to publicly characterize a credit to a Campeau Corp. subsidiary as a nonperforming asset. The bank classified its loan to Federated Department Stores as nonperforming in the fourth quarter. *Page 16*

INTERNATIONAL

SECURITY PACIFIC is the only U.S. banking company making markets in British securities now that Citicorp has decided to sell its Scrimgeour Vickers stock trading unit. *Page 10*

CONSUMER

THE CONSUMER BANKERS Association is mailing its members a decal that is designed to signal the institution's concern for the customer. *Page 6*

TECHNOLOGY

CHARLES S. SANFORD JR., chairman of Bankers Trust New York Corp., said one of the biggest threats to global banking is the possibility of computer failure in the clearing system. *Page 3*

OTHER NEWS

AN ACTIVIST GROUP is expected to file a challenge to Citizens and Southern Corp.'s community reinvestment record that could delay the merger of C&S and Sovran Financial Corp. *Page 2*

THE BUSH ADMINISTRATION is having a hard time selling OTS Chief M. Danny Wall's job to qualified candidates. *Page 2*

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2d Thrift Bill Takes Shape, But Congress Is Reluctant

By ROBERT M. GARSSON

WASHINGTON — When the law restructuring the thrift industry was signed five months ago, no one expected Congress to tackle the issue again in any substantial way anytime soon. And until a few weeks ago, that was still widely believed.

But now, measure by measure, the ingredients for a new thrift bill are beginning to fall into place.

This is the last of a four-part series examining the impact of the thrift-bailout law.

Some of the key questions being raised as Congress prepares to reconvene Tuesday:

- Should the Office of Thrift Supervision, created under the bailout law, be disbanded and its supervisory role be turned over to other regulators?
- Should the five-member board overseeing the Resolution Trust Corp. be scuttled because it is slowing the sale of seized thrifts?
- Should the RTC be required

See **BURNED** *page* **17**

Bank of New England Sees $1.2 Billion Loss

Talk of Closure by Regulators Sweeps Wall Street

By JOHN FORDE

NEW YORK — Revealing even deeper loan woes than previously indicated, Bank of New England Corp. on Friday estimated it would post a $1.2 billion loss for the fourth quarter, one of the largest ever in banking history.

And in what many observers saw as a last-ditch effort to stave off failure, the Boston-based banking company announced it would sell $6 billion in assets and enter into a consent order with federal regulators that will outline a plan to get itself back on track.

Time to Build Equity Capital

The company said its fourth-quarter loss would be caused by a special $1.5 billion provision against credit losses. For the year, Bank of New England expects to lose $1.05 billion. The bank also disclosed various parts of a strategy meant to rebuild its equity capital, which analysts estimate has sunk to about $500 million, or less than 2% of its assets.

The news hammered the price of Bank of New England's stock down by $1.625, to $2.875, Friday as rumors swept the market of a possible closing of the company by federal regulators over the weekend. A Bank of New England spokeswoman denied the reports, however, saying that "as you can see by the strategy we've laid out, we plan to be around for a while."

See **BANK** *page* **9**

Top Quarterly Losses
At bank holding companies
(Dollars in millions)

Citicorp	2Q '87	$2,585
J.P. Morgan	3Q '89	$1,815
First RepublicBank	1Q '88	$1,502
Bankers Trust	3Q '89	$1,420
Chase Manhattan	2Q '87	$1,378
Manufacturers Hanover	2Q '87	$1,373
Bank of New England	4Q '89	$1,200*
Continental Illinois	2Q '84	$1,158
BankAmerica Corp.	2Q '87	$1,136
Chase Manhattan	3Q '89	$1,109

*Estimate
Source: Keefe, Bruyette & Woods Inc.

Banks Load Books with Mortgage-Backeds

By PHIL ROOSEVELT

NEW YORK — In a dramatic example of commercial banks' increased involvement in home-mortgage finance, the 100 banks with the largest mortgage-securities portfolios increased their holdings by 52% in the year ending Sept. 30, an *American Banker* survey has found.

The buying spree means that 39% of all securities held by the banks are now mortgage-backed bonds, up from 31% at yearend 1988.

Moreover, experts say, banks are likely to remain bullish on mortgage-backeds, largely because of incentives in risk-based capital rules.

S&Ls Were Sellers

Thrifts, meanwhile, were net sellers, reflecting asset reduction spawned by that industry's bailout law. The top 100 thrifts in mortgage-backeds reduced their holdings by about 6% in the 12 months ended Sept. 30.

Tables of the top 100 banks and the top 100 thrifts in mortgage-backed securities holdings begin on page 12. The tables deal only with basic mortgage-backed-securities, which pass through to investors both the interest and principal payments from pools of mortgages. Derivative instruments, such as collateralized mortgage obligations, are not included.

While the top 100 banks boosted their holdings by 52%, to $73.5 billion, the banking industry as a whole increased its investments by 39%, the study of recent regulatory filings found.

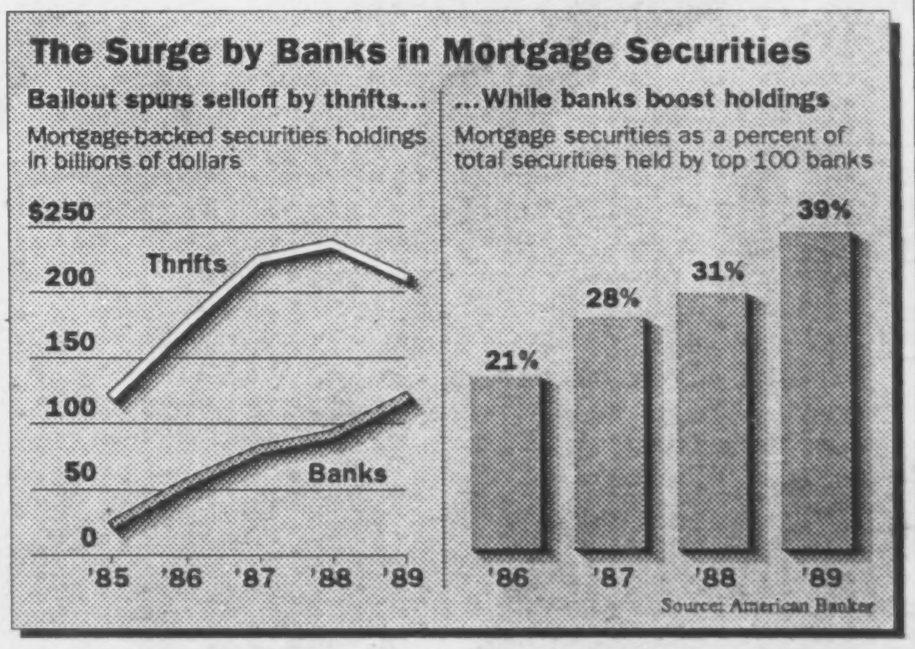
The sharp jump in banks' holdings of mortgage-backeds comes as the industry is making heavy inroads into other parts of the home loan arena. Last summer, for example, commercial banks supplanted savings and loan associations as the nation's largest originators of mortgages.

Mortgages Make Sense

"Everything we know says banks ought to be doing this," says Lawrence J. White, an economics professor at New York University's business school and a former member of the Federal Home Loan Bank Board. Specifically, he cites the risk-based capital regulations, which require banks to hold less capital against mortgages and

See **CAPITAL** *page* **13**

The Surge by Banks in Mortgage Securities



Source: American Banker

PEOPLE *in the news...*

Gibson Quits as Chairman Of American Federal Bank

William Gibson resigned abruptly last week as chairman and chief executive of the embattled **American Federal** Bank, Dallas, one of 16 thrifts created under the "Southwest plan" in 1988.

The sudden departure marks another unusual twist in the career of Mr. Gibson, an executive so ambitious that he once turned down a position on the Federal Reserve Board because he was not offered the chairmanship.

American Federal offered no explanation for why Mr. Gibson left, and the executive could not be reached for comment. However, industry sources cite deteriorating relations with regulators and the thrift's owner, **Lone Star Technologies** Inc.

A Flair for Publicity

He came to the helm of American Federal, formed from the remains of 12 failed Texas institutions, in August 1988. Almost immediately after taking control, Mr. Gibson began promoting American Federal as an example of how a reconstituted thrift should be operated. He hired a public relations company to promote his name and gave interviews.

But Mr. Gibson faded from view last fall, after the thrift-reform law threw his thrift on the ropes. Counting on the Federal Home Loan Bank of Dallas for up to 50% of American Federal's funding, Mr. Gibson had to devise plans to repay a portion of the funds, making the thrift vulnerable to increases in interest rates it must pay to attract additional deposits.

And capital guidelines spelled out in the law derailed Mr. Gibson's plans for growth and acquisitions. At Sept. 30, American Federal was $30 million short of the core capital it required to carry its assets.

Mr. Gibson formerly was the chief economist for RepublicBank Corp., Dallas, predecessor of the failed First RepublicBank Corp. After leaving Republic in 1986, he took charge of asset and liability management at Continental Illinois Corp.

— Steve Klinkerman

Citicorp Replaces Quotron Chief

Citicorp has reorganized its faltering Quotron subsidiary, naming Leland H. Amaya to replace J. David Hann as chairman and chief executive officer. The bank company also appointed Paul F. Glaser, head of its technology operations, as president and chief operating officer.

In the fourth quarter, Citicorp wrote off $35 million relating to severance pay and equipment writeoffs at Quotron, which it purchased for $680 million in June 1986.

Mr. Hann, a former executive with **U.S. Spring Communications** Co., took the reins of Quotron at the end of 1987, replacing the company's founder.

Mr. Amaya, a member of Quotron's board since 1984, is a veteran of the securities industry. He served as vice chairman and head of operations at Paine Webber Jackson & Curtis and is a former chairman of Securities Industry Automation Corp.

A Technology Background

He began his career as a systems and computer specialist for the Pan Am Corp. and Lockheed Missiles & Space Co.

Mr. Glaser has been chairman of Citicorp's corporate technology committee since 1982. According to a news release, Mr. Glaser was instrumental in designing and implementing Citibank's automated teller machine network. He joined the bank company in 1973 after 15 years at TRW Inc.

Quotron, at one time the standard Wall Street source for stock market quotations, has faced increasing competition from other vendors in recent years. Citicorp says it will continue to develop new products for the unit.

— Jed Horowitz

... by region

MIDDLE ATLANTIC

The Federal Home Loan Bank of New York elected **George L. Elgelke Jr., Rodney W. Kruse,** and **Leonard S. Simon** to its board of directors for a term of two years.

Mr. Elgelke is president of Astoria Federal Savings and Loan Association, Jackson Heights, N.Y.; Mr. Kruse is president of Marine View Savings Bank, Middletown, N.J., and Mr. Simon is chairman and chief executive officer of the Rochester Community Savings Bank, New York.

William J. Callahan was named senior vice president of the New York Home Loan Bank. He will be responsible for marketing the bank's services.

Mr. Callahan previously was senior vice president of Yamaichi International (America) Inc., New York.

SOUTHEAST

First National Bank in Palm Beach, a division of Southeast Bank, Miami, appointed **John H. Coleman Jr.** vice president of investment services of Palm Beach Capital Services, the bank's investment subsidiary. □

Planned Challenge on CRA May Slow C&S-Sovran Deal

By KENNETH CLINE

ATLANTA — In a move that could delay Citizens and Southern Corp.'s $2.2 billion merger with Sovran Financial Corp., a group of community activists was expected today to file a challenge to Citizens' community reinvestment record.

Dennis Goldstein, housing specialist attorney with the Atlanta Legal Aid Society, said he plans to file a CRA challenge today against Citizens on behalf of a client, Carrie Copeland, president of an Atlanta-area tenant's association.

Mr. Goldstein said he would argue that Citizens had a poor record in terms of consumer, business, and mortgage lending to low-income people in Atlanta.

Under the Community Reinvestment Act of 1977, activist groups have the right to challenge bank mergers and acquisitions if they can present documented complaints that the banks involved are not doing enough to meet the credit needs of low-income and minority customers.

Dialogue Will Continue

"We told [Citizens] we planned to file, they acknowledged that, and both sides agreed that we would continue the dialogue on CRA issues," Mr. Goldstein said.

Atlanta Legal Aid is one of three groups that has been engaged in negotiations with Citizens during the past month, according to Mr. Goldstein. He identified the others as the Georgia Housing Coalition and the Southern Christian Leadership Conference.

Representatives of those groups could not be contacted Friday, but both had previously made known their interest in CRA-related issues.

Citizens spokesman Scott Scredon said the Atlanta-based bank still anticipates completing its merger with Norfolk, Va.-based Sovran as planned by April 30.

Ample Time for Review

"The Fed's 60-day review process allows ample time for issues such as this," he said, referring to the period the Fed allocates for reviewing CRA challenges.

"We feel we have a well-documented file that will make it easy for the Fed to see that we have fulfilled our responsibilities," Mr. Scredon added.

Under Federal Reserve rules, today is the deadline for such groups to file a CRA challenge against the Citizens-Sovran merger. Mr. Goldstein suggested his client would not be the only one to file. "Based on earlier conversations, I believe that there are going to be a number of community groups in Atlanta filing separate challenges," Mr. Goldstein said.

The Fed began taking a harder stance on CRA complaints last year. In February, it denied an application by Continental Bank Corp., Chicago, to purchase Grand Canyon State Bank in Scottsdale, Arizona.

Most recently, it delayed for several months the acquisition of Florida National Banks of Florida Inc., Jacksonville, by First Union Corp., Charlotte. That acquisition also faced CRA challenges from community groups.

The Fed finally approved the deal at the end of December. By then, First Union had announced some expensive low-income lending commitments to bolster its CRA record: $9 million to neighborhoods in Charlotte, and $28 million to communities it serves in Florida. □

Unclear Future Of OTS Stalls Director Hunt

By BARBARA A. REHM

WASHINGTON — The Bush administration has identified some suitable replacements for M. Danny Wall, the caretaker Office of Thrift Supervision director, but is having a hard time persuading anyone to take the job.

"The desire is there, but delivering on it is tough," said an administration source. "Talk of merging the agencies makes it harder to find someone."

A new spate of rumors has the OTS being merged into the Comptroller of the Currency's office. That has created uncertainty about whether there really is an OTS job to take. (See story on page 17.)

Wall Is Ready

For his part, Mr. Wall appears ready to go. He announced late last year that he was resigning but would stay on until a successor was named.

Karl Hoyle, OTS spokesman, said of Mr. Wall last week: "He's made the transition mentally.

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Correction

A Jan. 19 article (page 14) incorrectly described the capital position of Crossland Savings Bank, Brooklyn, N.Y. It reported stockholders' equity of $647 million at yearend. Because the figure includes about $380 million of cumulative preferred stock, which is not eligible to be treated as capital under guidelines of the Office of Thrift Supervision, the thrift falls short of current capital minimums. Crossland has filed a plan with the OTS to comply with the capital rules. □

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COMMENT / By Paul S. Nadler

Encouraging Local Support For a Mutual Savings Bank

"I agree with you," said the astute president of a mutual savings bank. "There are a lot of pitfalls in switching from mutual status to stockholder ownership – but how else can we get the community to share in our success and thus give the bank more of its business?"

Theoretically, everyone benefits when a mutual sells stock – its depositors, employees, and the community. But the real winners when a thrift goes public are often the investment bankers and lawyers who facilitate the process.

All too often, the shares have traded "under water" – at prices well below the offering price. That angers the depositors who withdrew interest-earning savings to buy the stock, discourages employees who bought stock, and makes the bank look bad in the community's eyes.

Worse still, by going public the bank is put "in play." Others may want to buy it and replace the management, especially if the stock is cheap, once the mutual gives up its protection from a buyout.

This sobering scenario causes many executives of mutual organizations to spurn the blandishments of investment bankers who advise them to go public. They resist, even though the investment banker never fails to mention, "and of course you, yourself, will reap some personal benefits, too."

But the major drawback of remaining a mutual is the one cited by my banker friend: A stock company has local owners who want the bank to thrive because they share the profits. Mutual institutions lack this.

The president of an Arkansas bank once wrote to me, trying to buy back the stock in his bank that my father had bought for my daughter in the 1960s. His letter argued that having the stock held by a New Yorker did the bank no good, so he wanted it back to sell to a local citizen.

I refused to sell. This bank was acute enough to want to keep its stock locally owned – and willing to make the effort to bring back stock held outside the community. That was the type of bank I wanted my daughter to have an investment in.

My banker friend and I mused about what can be done to remain mutual but give incentives to interest the community in helping the bank to prosper.

We came up with the Schmidlap plan, named after the mythical bank I use in my talks. (I do this so that no real banker can say I am talking about his operation – even if I am.)

1. A Schmidlap plan account pays a base interest rate on deposits, along with a premium return based on the bank's earnings and the number of points the depositor has earned for activities that helped the bank achieve its profits.

2. Points will be earned (as in an airline frequent-flier club) for the following:

• Keeping the number of transactions in the Schmidlap account to a specified minimum, to save the bank the cost of excessive activity.

• Bringing in new business, either a new loan or a depositor whose account is substantial and stays on the books a specified amount of time.

• Making a suggestion that helps the bank.

My friend's mutual institution adopted a helpful idea that would have earned points under our plan. A bulletin board in his mortgage department displays a welcome message and lists the names of the people who will be coming in to close or originate mortgages that day!

• At the end of each quarter the bank will report its earnings and then announce how much each point on the Schmidlap program is worth in added interest above the stated minimum.

Incentive for Depositors

Is this legal? I would think so, although I am sure any bank that wants to use the Schmidlap plan (it is not copyrighted) should check with counsel. After all, Chase Manhattan Bank has promoted a savings account with interest tied to the Standard and Poor's 500 stock index. So why shouldn't an account be tied to the bank's own earnings?

The key is to make the community feel a direct relationship between the bank's success and its own rewards.

This concept works for a stockholder-owned bank. If a mutual can attain the same goal and still retain its mutual format, it will have gone a long way toward having its cake and eating it too – in these days when giving up mutuality has so many pitfalls. □

Mr. Nadler is a contributing editor and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

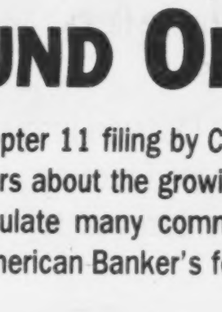
Last week's Chapter 11 filing by Campeau Corp.'s retail stores sent a warning to lenders about the growing threat posed by highly leveraged credits that populate many commercial lending portfolios. Suzanne Christy of the American Banker's feature staff asked:

Q Do you expect to see more bankruptcies? Will the situation get worse before it gets better?

■ Christopher Mahoney
Vice president, financial institutions
Moody's Investors Service

The Campeau failure is a sure signal that bankers should reexamine their portfolios. There will be even more bankruptcies, especially on deals based on asset sales and cash flow.

People are overleveraged. Cash flow coverage is tight to begin with. LBOs will get tougher and tougher to work out – out of court. If debt can't be serviced, it will have to be dealt with in court.



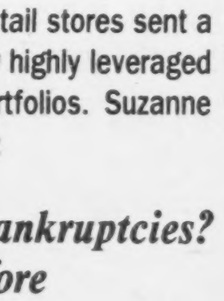
And there will be more problems than we are seeing now. There has been a deterioration in the quality of leveraged deals. Leveraged transactions done early in the decade were better than those that followed. Most of the troubled ones are the more recent deals.

On the other hand, I don't think LBOs will be a crisis for many, though they might be an embarrassment and headache. This is not a situation anywhere close to the Texas real estate or LDC problems that killed off a few players.

Bankers should beware of any deal based on asset sales and not cash flow.

■ Carolyn Day O'Leary
Vice president,
Senior credit administrator
First American Bankshares

Bankruptcies are on the rise. We can look for more problems with highly leveraged transactions for many of the same reasons the Campeau deals went bad: Buyers were paying too much for businesses. With such thin capital bases, there is absolutely no room for any interruptions in the economy or a company's progress without there being a severe impact on the borrower's ability to pay when debt is due.



We have been assessing our portfolio, and we already have policies discouraging highly leveraged loans. That's not to say we don't have some on our books, but they are decided on a case-by-case basis. And with the recent joint definition issued by federal regulators, we are fine-tuning our policy again, specifying what kind of underwriting criteria we expect.

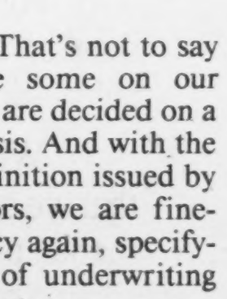
We are no longer concerned about what would happen if interest rates rise. Now we are more concerned about the short-term outlook for real estate. There will not be terribly grave problems, but we expect a definite softening in the marketplace.

The time for conservatism is here.

■ Sung Won Sohn
Senior vice president, chief economist
Norwest Corp.

It is pretty clear there will be more bankruptcies, especially if the economy slows down or we go into a recession.

Credit quality should be the No. 1 concern of bankers.



While interest rates are going down on high-quality issues like Treasury bonds, interest rates on lower-grade issues are rising. Low-quality borrowers are facing a host of dilemmas – if they can get money at all.

We are already seeing some credit rationing – the first time since the mid-1970s. Commercial real estate is one area, the junk bond market is another. Problems will even extend into the home mortgage area as savings and loans struggle with the new capital rules. Even some venerable institutions like Manny Hanny and Chemical have had their subordinated debt rated as junk because of credit-quality problems.

■ Herman Sandler
Founding principal
Sandler O'Neill & Partners

The bankruptcy of Campeau's subsidiaries is a classic example of what happens when expectations and reality are so far afield. Ego and fees were driving that deal instead of logical business sense. Wall Street took some of the best corporations around and put them in debt for no reason other than they wanted the fees. Even now, as more and more deals are bound to turn sour, the Street benefits – this time from the recapitalization fees.

Banks are at a very dangerous point right now. Most types of loans, including consumer loans, are shaky. The problem real estate loans in the Northeast will soon be reflected in the commercial area. We'll see the worst defaults in Massachusetts, where there are numerous uncompleted projects.

Capital is now king, and it is becoming even more so as the Fed and regulators take an active role.

Banks should raise premiums, and build as big a financial cushion as they can. If anything, they should err on the conservative side, and add another 10% to 15% to reserves.

In the future, thinly capitalized deals will be difficult to get done. □

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TOP MORTGAGE-BACKED SECURITIES HOLDERS

Top 100 Banks in Mortgage-Backed Security Holdings

Based on government-insured and privately issued securities held on Sept. 30, 1989 (dollar amounts in thousands)

Rank 9/89		Mortgage-Backed Securities (MBS) 9/30/89	9/30/88	% Chg.	Government MBS as % of All MBS 9/30/89	9/30/88	Total Assets 9/30/89	Total Securities 9/30/89	MBS/Assets 9/30/89	9/30/88	MBS/Securities 9/30/89	9/30/88	Total Securities /Assets 9/30/89	9/30/88
1	Bank of America NT&SA, San Francisco	4,738,000	5,027,000	-5.75	99.07	98.69	84,755,001	7,027,000	5.59	6.09	67.43	70.07	8.29	8.70
2	Chemical Bank, New York	3,876,000	3,442,000	12.61	100.00	100.00	49,353,000	8,160,000	7.85	6.34	47.50	53.47	16.53	11.85
3	Pittsburgh National Bank	3,873,269	2,172,924	78.25	100.00	100.00	15,966,751	4,737,462	24.26	14.05	81.76	56.22	29.67	24.99
4	National Bank of Detroit	2,794,950	838,052	233.51	100.00	100.00	16,409,840	4,513,534	17.03	5.34	61.92	24.11	27.51	22.14
5	Wells Fargo Bank NA, San Francisco	2,175,060	1,840,798	18.16	99.75	100.00	45,408,316	2,645,233	4.79	4.37	82.23	65.01	5.83	6.72
6	Signet Bank/Virginia, Richmond	2,171,696	1,645,521	31.98	100.00	94.00	8,696,020	2,576,414	24.97	21.76	84.29	79.75	29.63	27.29
7	NCNB Texas National Bank, Dallas	2,130,812	434,578	390.32	100.00	99.99	29,470,478	5,687,148	7.23	1.70	37.47	13.80	19.30	12.29
8	Morgan Guaranty Trust Co., New York	1,732,103	1,209,021	43.26	100.00	100.00	65,164,183	15,127,549	2.66	1.69	11.45	8.76	23.21	19.34
9	First Union National Bank, Charlotte, N.C.	1,690,355	909,397	85.88	100.00	97.87	17,976,721	4,519,020	9.40	6.42	37.41	32.52	25.14	19.73
10	Mellon Bank NA, Pittsburgh	1,571,086	972,463	61.56	100.00	100.00	22,562,520	2,956,512	6.96	4.38	53.14	39.97	13.10	10.95
11	Norwest Bank Minnesota NA, Minneapolis	1,564,455	687,665	127.5	100.00	100.00	8,753,032	2,143,394	17.87	7.72	72.99	37.36	24.49	20.66
12	NCNB National Bank of North Carolina, Charlotte	1,560,988	341,750	356.76	100.00	100.00	18,085,103	3,505,012	8.63	2.16	44.54	12.20	19.38	17.72
13	Connecticut National Bank, Hartford	1,434,456	805,319	78.12	100.00	100.00	12,795,274	2,354,822	11.21	7.29	60.92	40.68	18.40	17.93
14	Sovran Bank NA, Richmond	1,331,915	279,964	375.75	100.00	100.00	13,271,732	2,442,130	10.04	2.37	54.54	17.24	18.40	13.77
15	NCNB National Bank of Florida, Tampa	1,167,916	2,499	46635.33	100.00	100.00	10,507,115	2,337,189	11.12	0.03	49.97	0.12	22.24	22.83
16	Florida National Bank, Jacksonville	1,026,342	1,596,881	-35.73	100.00	100.00	7,666,333	1,432,506	13.39	21.25	71.65	76.50	18.69	27.77
17	First Fidelity Bank NA, Newark, N.J.	977,366	619,664	57.73	100.00	100.00	11,812,855	2,816,336	8.27	5.56	34.70	26.64	23.84	20.88
18	Manufacturers Hanover Trust Co., New York	965,000	863,000	11.82	100.00	100.00	55,016,000	6,645,000	1.75	1.40	14.52	13.60	12.08	10.26
19	Hibernia National Bank, New Orleans	892,843	676,267	32.03	100.00	100.00	6,175,436	1,210,262	14.46	12.61	73.77	61.18	19.60	20.61
20	Manufacturers National Bank, Detroit	883,311	639,535	38.12	100.00	100.00	8,281,374	1,213,979	10.67	7.81	72.76	61.30	14.66	12.74
21	Fidelity Bank NA, Philadelphia	859,309	155,646	452.09	73.13	100.00	9,193,024	1,718,354	9.35	1.50	50.01	9.56	18.69	15.70
22	Comerica Bank - Detroit	851,468	502,938	69.30	100.00	100.00	9,328,060	1,951,116	9.13	6.01	43.64	30.08	20.92	19.96
23	Michigan National Bank, Farmington Hills	830,419	280,101	196.47	100.00	100.00	9,521,614	1,896,659	8.72	3.15	43.78	22.73	19.92	13.86
24	Texas Commerce Bank NA, Houston	821,250	31,748	2486.78	100.00	100.00	10,347,854	2,022,648	7.94	0.27	40.60	2.04	19.55	13.35
25	First Union National Bank Florida, Jacksonville	817,018	943,970	-13.45	100.00	100.00	8,819,998	1,541,595	9.26	10.70	53.00	52.14	17.48	20.52
26	Shawmut Bank NA, Boston	814,036	1,248,922	-34.82	100.00	80.97	9,303,190	1,396,612	8.75	13.06	58.29	71.25	15.01	18.34
27	Premier Bank NA, Baton Rouge, La.	792,486	404,017	96.15	100.00	99.90	4,183,400	1,160,595	18.94	23.10	68.28	71.90	27.74	32.13
28	First Interstate Bank NA, Houston	783,481	932,633	-15.99	100.00	100.00	6,207,928	1,110,224	12.62	11.02	70.57	61.95	17.88	17.79
29	Marine Midland Bank NA, Buffalo, N.Y.	714,040	151,111	372.53	100.00	100.00	21,605,256	1,099,575	3.30	0.70	64.94	17.04	5.09	4.10
30	Frost National Bank, San Antonio, Tex.	705,586	278,406	153.44	100.00	99.86	2,592,572	1,054,685	27.22	11.29	66.90	46.68	40.68	24.19
31	Bank of Baltimore	702,298	439,050	59.96	100.00	100.00	3,329,917	913,876	21.09	14.55	76.85	55.56	27.44	26.19
32	Citizens & Southern National Bank, Atlanta	683,568	425,279	60.73	100.00	100.00	12,362,782	2,230,127	5.53	3.85	30.65	22.93	18.04	16.80
33	Equitable Bank NA, Baltimore	645,177	747,345	-13.67	100.00	100.00	4,889,834	1,340,639	13.19	15.63	48.12	44.08	27.42	35.45
34	First Pennsylvania Bank NA, Philadelphia	612,394	450,120	36.05	100.00	100.00	6,547,216	924,676	9.35	7.33	66.23	52.64	14.12	13.93
35	Exchange National Bank, Chicago	579,999	285,799	102.94	70.75	100.00	2,878,310	906,647	20.15	11.49	63.97	40.87	31.50	28.11
36	Citizens Fidelity Bank & Trust Co., Louisville	570,561	500,534	13.99	100.00	97.76	5,473,018	1,341,668	10.42	10.41	42.53	54.95	24.51	18.94
37	Central Fidelity Bank, Richmond	551,857	419,333	31.60	100.00	100.00	5,065,240	830,453	10.89	9.14	66.45	58.41	16.40	15.65
38	Citizens & Southern National Bank, Fort Lauderdale, Fla.	540,925	297,401	81.88	100.00	100.00	6,010,643	1,390,103	9.00	5.69	38.91	23.84	23.13	23.86
39	Chase Manhattan Bank NA, New York	533,388	174,224	206.15	29.72	....	82,711,031	7,102,921	0.64	0.23	7.51	3.08	8.59	7.31
40	Huntington National Bank, Columbus, Ohio	527,509	180,809	191.75	100.00	100.00	8,495,292	2,077,691	6.21	2.38	25.39	13.45	24.46	17.69
41	Southeast Bank NA, Miami	527,103	489,493	7.68	100.00	100.00	14,316,593	1,968,271	3.68	3.75	26.78	21.95	13.75	17.11
42	Dominion Bank NA, Roanoke, Va.	526,281	563,196	-6.55	100.00	100.00	4,308,122	664,104	12.22	13.54	79.25	76.46	15.42	17.71
43	First Union National Bank, Atlanta	519,178	483,100	7.47	100.00	100.00	4,355,015	742,557	11.92	11.91	69.92	64.54	17.05	18.46
44	First National Bank of Maryland, Baltimore	513,801	655,194	-21.58	100.00	75.27	6,266,386	1,047,448	8.20	11.32	49.05	55.30	16.72	20.48
45	First City Texas - Houston NA	512,546	N.A.	...	100.00	...	6,978,055	938,648	7.35	...	54.60	...	13.45	17.73
46	Bank One Texas NA, Dallas	511,998	686,820	-25.45	100.00	89.79	12,637,774	1,722,881	4.05	3.89	29.72	31.63	13.63	12.29
47	AmSouth Bank Birmingham NA, Ala.	490,854	337,099	45.61	100.00	100.00	7,215,812	1,737,188	6.80	4.65	28.26	18.90	24.07	24.63
48	Wachovia Bank & Trust Co., Winston-Salem, N.C.	488,017	430,498	13.36	100.00	100.00	14,974,260	2,162,720	3.26	3.37	22.56	20.66	14.44	16.32
49	First Tennessee Bank NA, Memphis	480,013	334,920	43.32	100.00	100.00	6,042,863	1,157,162	7.94	5.87	41.48	33.45	19.15	17.55
50	Central Bank of the South, Birmingham, Ala.	457,917	265,377	72.55	100.00	100.00	4,272,730	1,104,482	10.72	6.84	41.46	33.35	25.85	20.50
51	Marine Bank, Warren, Pa.	451,194	471,637	-4.33	100.00	100.00	1,749,860	863,912	25.78	29.51	52.23	59.10	49.37	49.93
52	United Jersey Bank, Hackensack, N.J.	451,122	291,539	54.74	43.14	10.49	4,913,183	869,964	9.18	6.66	51.86	39.85	17.71	16.71
53	First Bank NA, Minneapolis	450,380	499,155	-9.77	100.00	100.00	13,304,655	1,819,303	3.39	2.84	24.76	13.60	13.67	20.88
54	Sovran Bank Maryland, Bethesda	447,170	148,561	201.00	100.00	100.00	4,168,826	1,059,221	10.73	3.9	42.22	21.05	25.41	18.52
55	Maryland National Bank, Baltimore	437,291	508,400	-13.99	100.00	100.00	9,709,354	1,021,935	4.50	5.32	42.79	41.49	10.53	12.83
56	United State National Bank, Portland, Ore.	435,909	25,347	1619.77	100.00	100.00	9,779,160	1,281,946	4.46	0.29	34.00	2.40	13.11	11.99
57	Norwest Bank South Dakota NA, Sioux Falls	430,305	251,777	70.91	100.00	100.00	2,005,394	577,131	21.46	14.47	74.56	48.45	28.78	29.87
58	Bank South NA, Atlanta	414,490	188,497	119.89	100.00	100.00	4,042,455	814,727	10.25	5.13	50.87	31.16	20.15	16.46
59	South Carolina National Bank, Charleston	399,041	270,197	47.69	100.00	100.00	5,899,953	813,715	6.76	5.24	49.04	40.73	13.79	12.87
60	Signet Bank/Maryland, Baltimore	395,910	606,742	-34.75	100.00	96.70	3,761,432	461,565	10.53	16.58	85.78	90.27	12.27	18.37
61	International Bank of Commerce, Laredo, Tex.	374,508	242,406	54.50	100.00	100.00	881,950	426,892	42.46	29.86	87.73	67.73	48.40	44.09
62	Citibank NA, New York	374,000	191,000	95.81	100.00	100.00	158,535,000	10,005,000	0.24	0.12	3.74	1.87	6.31	6.65
63	Morgan Bank Delaware, Wilmington	367,321	93,538	292.70	100.00	100.00	4,521,185	605,655	8.12	2.98	60.65	16.78	13.40	17.73
64	Fleet National Bank, Providence, R.I.	365,812	376,456	-2.83	100.00	100.00	8,386,217	948,413	4.36	5.22	38.57	43.64	11.31	11.95
65	Bank One Dayton NA, Ohio	362,334	24,022	1408.34	84.44	67.01	2,439,276	528,503	14.85	1.18	68.56	7.49	21.67	15.78
66	Equibank, Pittsburgh	358,557	417,561	-14.13	99.90	99.90	3,073,580	487,854	11.67	15.22	73.50	74.48	15.87	20.43
67	First Union National Bank, Greenville, S.C.	355,627	385,769	-7.81	100.00	100.00	1,431,284	370,846	24.85	26.98	95.9	96.17	25.91	28.05
68	Bankers Trust Co., New York	352,039	75,608	365.61	100.00	100.00	50,313,808	3,787,477	0.70	0.13	9.29	2.48	7.53	5.38
69	First Fidelity Bank NA, Totowa, N.J.	351,344	261,465	34.38	100.00	100.00	2,401,136	788,869	14.63	11.34	44.54	43.88	32.85	25.85
70	Bank of New England NA, Boston	338,936	97,500	247.63	100.00	99.49	14,681,480	1,476,336	2.31	0.66	22.96	5.10	10.06	13.02
71	Ameritrust Co. NA, Cleveland	337,277	52,012	548.46	100.00	100.00	8,587,857	869,605	3.93	0.67	38.79	6.30	10.13	10.57
72	Southtrust Bank of Alabama NA, Birmingham	328,400	153,197	114.36	100.00	100.00	3,347,721	801,157	9.81	5.11	40.99	21.37	23.93	23.93
73	First Interstate Bank Nevada NA, Reno	326,924	265,389	23.19	100.00	100.00	3,631,678	1,063,786	9.00	7.71	30.73	24.68	29.29	31.24
74	First Interstate Bank Oregon NA, Portland	325,438	294,595	10.47	100.00	100.00	6,278,730	1,372,036	5.18	5.24	23.72	21.83	21.85	24.02
75	State Street Bank & Trust Co., Boston	322,874	79,006	308.67	60.88	3.10	8,305,334	2,347,356	3.89	1.07	13.75	3.49	28.26	30.78
76	Barnett Bank of Pinellas County, St. Petersburg, Fla.	313,496	296,294	5.81	100.00	100.00	2,334,782	431,505	13.43	14.04	72.65	70.54	18.48	19.90
77	Key Bank of Western New York NA, Jamestown	308,555	57,599	435.70	96.86	100.00	1,182,809	417,887	26.09	5.41	73.84	16.70	35.33	32.38
78	Chemical Bank New Jersey NA, Morristown	307,943	152,315	102.18	100.00	100.00	4,522,654	605,484	6.81	3.62	50.86	35.24	13.39	10.28
79	American Security Bank NA, Washington, D.C.	297,352	172,487	72.39	100.00	100.00	5,532,191	971,761	5.37	3.19	30.60	21.40	17.57	14.90
80	Chase Lincoln First Bank NA, Rochester, N. Y.	296,617	182,418	62.60	98.73	100.00	6,323,271	406,998	4.69	3.03	72.88	47.82	6.44	6.34
81	Manufacturers & Traders Trust Co., Buffalo, N.Y.	295,000	277,442	6.33	100.00	100.00	4,014,826	571,955	7.35	7.68	51.58	49.11	14.25	15.64
82	Bank of HHawaii, Honolulu	286,135	14,842	1827.87	100.00	100.00	7,277,776	1,199,706	3.93	0.25	23.85	1.54	16.48	16.31
83	Merchants Bank NA, Allentown, Pa.	284,690	109,140	160.85	100.00	100.00	1,888,000	593,595	15.08	6.07	47.96	22.62	31.44	26.81
84	First National Bank, Atlanta	280,762	225,255	24.64	100.00	100.00	8,173,546	1,276,909	3.44	2.96	21.99	18.85	15.62	15.73
85	Republic National Bank, New York	277,048	378,381	-26.78	100.00	100.00	21,363,385	2,962,069	1.30	1.82	9.35	10.74	13.87	16.91
86	Bank One NA, Indianapolis	274,855	137,322	100.15	85.10	100.00	4,307,097	1,037,336	6.38	3.68	26.50	22.77	24.08	16.17
87	Norwest Bank Des Moines NA, Iowa	266,847	74,354	258.89	100.00	100.00	1,525,313	289,003	17.49	5.29	92.33	56.17	18.95	9.42
88	Continental Bank NA, Chicago	266,461	210,294	26.71	100.00	100.00	31,621,452	2,239,773	0.84	0.66	11.90	9.42	7.08	6.97
89	Connecticut Bank & Trust Co. NA, Hartford	245,873	43,709	462.52	100.00	100.00	9,906,185	1,185,418	2.48	0.46	20.74	2.54	11.97	18.21
90	NCNB National Bank South Carolina, Columbia	240,948	N.A.	...	100.00	...	4,277,528	893,501	5.63	...	26.97	...	20.89	12.30
91	San Diego Trust & Savings Bank, Calif.	239,798	151,644	58.13	100.00	100.00	1,399,265	427,432	17.14	11.25	56.10	33.90	30.55	33.18
92	Southern National Bank, Lumberton, N.C.	236,618	38,688	511.61	100.00	100.00	2,507,536	719,526	9.44	1.80	32.89	9.18	28.69	19.57
93	Irving Trust Co., New York (a)	236,499	251,020	-5.78	99.67	99.57	23,563,243	1,245,192	1.00	1.12	18.99	15.90	5.28	7.06
94	Norwest Bank North Dakota NA, Fargo	231,079	110,582	108.97	100.00	100.00	969,574	314,746	23.83	12.45	73.42	37.75	32.46	32.98
95	Imperial Bank, Los Angeles	229,728	144,433	59.06	100.00	100.00	2,790,465	455,158	8.23	6.57	50.47	26.80	16.31	24.51
96	Key Bank Central New York NA, Syracuse	221,118	211,200	4.70	100.00	100.00	2,413,038	547,891	9.16	8.82	40.36	37.32	22.71	23.65
97	Valley National Bank, Phoenix, Ariz.	215,680	215,732	-0.02	100.00	100.00	9,260,792	1,171,910	2.33	2.24	18.40	14.42	12.65	15.56
98	First American Bank, McLean, Va.	207,917	180,898	14.94	100.00	100.00	3,811,842	910,365	5.45	5.31	22.84	27.69	23.88	19.18
99	Meridian Bank, Reading, Pa.	199,623	248,594	-19.70	100.00	66.43	8,512,891	1,479,719	2.34	3.31	13.49	16.12	17.38	20.50
100	Central Trust Co. NA, Cincinnati	195,803	72,711	169.29	100.00	100.00	3,717,101	643,555	5.27	2.22	30.43	17.45	17.31	12.71

Data source: ADP Data Services Division, New York, from its data base of federally insured commercial banks. ADP restates the 1988 data for 1989 mergers. **Mortgage-Backed Securities** are the book value of all of bank's holdings of U.S. government and private certificates of participation in pools of residential mortgages. Mortgage securities held in a bank's trading accounts are excluded. **Government Mortgage-Backed Securities** are the book value of all holdings of certificates of participation in pools of residential mortgages that are U.S. government-issued or -guaranteed. Included are certificates of participation in pools of residential mortgages issued or guaranteed by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corp. (FHLMC). **Private Mortgage-Backed Securities** are the book value of all holdings of certificates of participation in pools of residential mortgages that are issued by others (e.g. other depository institutions or insurance companies) that are not guaranteed by the U.S. government. **Government MBS as % of All MBS** is the ratio of government mortgage-backed securities to total mortgage-backed securities (government plus private). **Total assets** are total assets of the bank, including domestic and foreign offices. **Total Securities** are the book value of securities of all types held as assets by the bank. **MBS/Assets** is the ratio of total mortgage-backed securities to total assets. **MBS/Securities** is the ratio of total mortgage-backed securities to total securities. **Securities/Assets** is the ratio of total securities to total assets. All ratios are expressed as a percent. **(a)**—Merged into Bank of New York in Oct. 1989.

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Capital Rules Prompt Commercial Banks to Boost Mortgage Securities

Continued from *page* **1**

mortgage-backed securities than against many other investments.

Securities of the Government National Mortgage Association carry the biggest advantage. They have the same risk weighting as Treasury securities – essentially zero – but provide higher yields.

"Banks have bought a tremendous amount of Ginnie Maes," says Michael Mortara, a partner at Goldman, Sachs & Co.

Lower Demand for Other Loans

Risk-based capital rules are only part of the story, however. Declining demand for business and consumer loans, and increased skittishness about commercial real estate lending, left many banks searching for sensible assets last year, bankers and analysts say. And mortgage-backed securities became available at attractive prices, reflecting fears of heavy selling by distressed thrifts.

Chemical Bank, the No. 2 bank in mortgage-backed securities after Bank of America, began a major Ginnie Mae buying effort in the summer and fall, when market jitters about sales by thrifts was at a peak, according to officials at the bank.

"We thought the anxiety was somewhat misplaced," said Patti Colburn, a Chemical vice president.

Market Remained Orderly

Although thrifts were net sellers – the industry as a whole reduced its holdings of mortgage-backeds by nearly 10% in the 12 months through September – the selling was far more orderly than feared. Banks, insurance companies, and other investors proved to be strong buyers, supporting prices.

Yield spreads of benchmark Ginnie Maes over Treasuries, a central measure of market performance, widened from 120 basis points at the start of the year to as high as 160 basis points in August, but then declined steadily. Last week, the spread was about 130, according to Merrill Lynch Mortgage Capital.

NCNB Jumps In

Three units of NCNB Corp., Charlotte, N.C., all plunged into the market-backed securities market last year. Starting with small portfolios, the three increased their holdings to the point where each ranked in the top 15 by Sept. 30.

But special circumstances were responsible for this. Because of tax credits NCNB obtained in taking over the troubled First Republic Bank of Texas, the corporation no longer needed its holdings of tax-exempt municipal bonds, a spokeswoman said. As a result, the three banks sold munis and bought mortgage-backeds, drawn to the higher yields relative to Treasuries.

Signet Bank, Richmond, has been boosting its holdings of mortgage-backed securities for the past couple of years. "Our loan growth, especially in the real estate area, has slowed down, so we have more room on the balance sheet," says chief financial officer Wallace B. Millner 3d.

Balancing the Balance Sheet

In addition, he says, Signet uses the securities to cope with an "asset sensitive" balance sheet. That condition, common among regional banks, involves a tendency of assets to reprice before liabilities, hurting income when market rates fall.

Fixed-rate mortgage-backed securities help protect the bank from falling market rates, he says. While Treasuries might do the same, Mr. Millner likes the yield advantage of mortgage-backeds and says he is willing to accept the special risks of the securities: that borrowers will pay off their mortgages early and disrupt cash flows to investors.

Banks Boost Production

While Signet and many other banks buy their mortgage-backeds from dealers, banks are expected to create more and more of the securities from their own originations. Scores of banks across the country have been boosting their originations, often as part of broad pushes into consumer banking. In September, banks accounted for 40% of all mortgage originations, up from 24% a year earlier, according to the most recent government statistics.

Ameritrust Co., Cleveland, sharply increased its holdings of mortgage-backeds last year by converting mortgages on its balance sheet into securities. Both the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. have programs allowing lenders to swap their loans for securities backed by the loans.

Such securitization leaves a bank with a more liquid asset and one that can be used as collateral for borrowings, notes Ron Koza, an Ameritrust portfolio manager. "Risk-based capital was another consideration," he says

Under those rules, to be fully phased in by 1992, such assets as corporate bonds and syndicated loans have risk weightings of 100%, but home mortgages are at 50%.

Even more favorable are the securities of Fannie Mae and Freddie Mac, both of which have 20% weightings. Ginnie Maes, which carry full government guarantees, are in a zero-risk class with Treasuries.

Thrifts Shrink Portfolios

Meanwhile, as banks have been posting gains in mortgage-backed securities holdings, thrifts have been steadily posting declines.

"Thrifts generally spent the latter part of 1989 in a shrinking mode" to meet the core and tangible capital requirements of the bailout law, says Fred Price, a principal in the investment banking firm of Sandler, O'Neill & Partners. "When you need to reduce assets, you first go the most liquid assets, which usually are mortgage-backed securities." □

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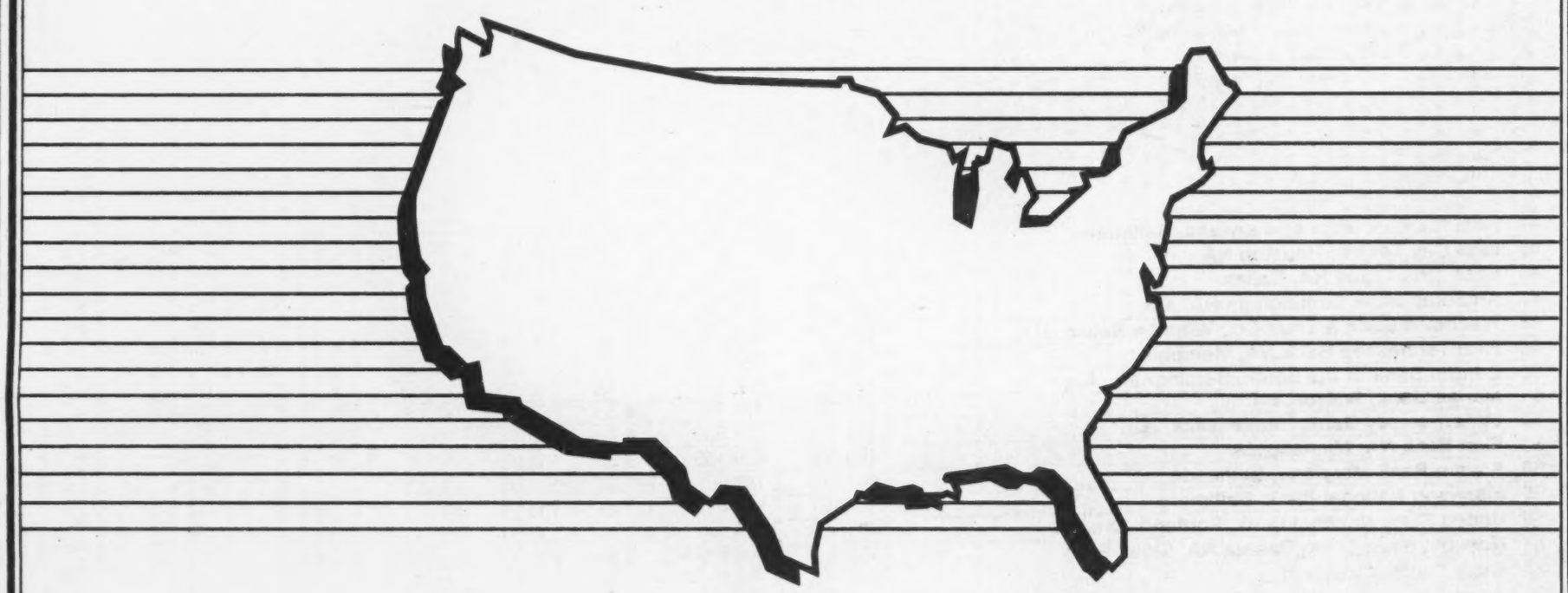
8,430 UNITS SOLD FOR $70,980,000



	UNITS	MINIMUM BID	SALE PRICE	% OF MIN. BID
TEXAS				
Dallas	273	$ 1,000,000	$ 2,850,000	285%
Dallas	170	$ 500,000	$ 1,125,000	225%
Dallas	123	$ 200,000	$ 200,000	100%
Houston	1,792	$ 6,000,000	$ 8,900,000	148%
COLORADO				
Denver	181	$ 1,000,000	$ 1,470,000	147%
Ft. Collins	252	$ 1,500,000	$ 1,500,000	100%
Aurora	450	$ 2,500,000	$ 3,200,000	128%
LOUISIANA				
Baton Rouge	418	$ 2,500,000	$ 4,400,000	176%
New Orleans	142	$ 1,000,000	$ 1,230,000	123%
Houma	108	$ 250,000	$ 540,000	216%
Metairie	88	$ 350,000	$ 770,000	220%
Monroe	212	$ 800,000	$ 1,625,000	203%
Gretna	204	$ 1,000,000	$ 1,725,000	173%
INDIANA				
Indianapolis	184	$ 1,800,000	$ 2,700,000	150%
Indianapolis	184	$ 1,200,000	$ 1,575,000	131%
GEORGIA				
Atlanta	164	$ 1,000,000	$ 1,450,000	145%
Atlanta	385	$ 3,500,000	$ 6,550,000	187%
Atlanta	330	$ 2,000,000	$ 3,400,000	170%
Atlanta	440	$ 3,500,000	$ 5,900,000	169%
Macon	144	$ 800,000	$ 1,150,000	144%
FLORIDA				
Orlando	124	$ 750,000	$ 1,020,000	136%
ILLINOIS				
Calumet City	934	$ 6,000,000	$ 7,750,000	129%
VIRGINIA				
Richmond	360	$ 1,000,000	$ 2,300,000	230%
OKLAHOMA				
Norman	260	$ 1,250,000	$ 1,250,000	100%
MISSISSIPPI				
Ocean Springs	122	$ 900,000	$ 1,400,000	156%
Gulfport	246	$ 2,200,000	$ 3,150,000	143%
Biloxi	140	$ 1,200,000	$ 1,850,000	154%
TOTALS	**8,430**	**$45,700,000**	**$70,980,000**	**155%**

For additional information, contact Joel D. Zegart, President, at 1.800.525.0777

JBS

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Real Estate Consultants & Auctioneers
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TOP MORTGAGE-BACKED SECURITIES HOLDERS

Top 100 Thrifts in Mortgage-Backed Security Holdings

Based on mortgage-backed pass-through securities held in portfolios on Sept. 30, 1989 (dollar amounts in thousands)

Rank 9/89		Total Mortgage-Backed Securities (MBS) 9/30/89	9/30/88	% Chg.	Total Assets 9/30/89	9/30/88	MBS/Assets (%) 9/30/89	9/30/88	Interest Earned On Mortgage-Backed Securities 9/30/89	9/30/88	% Chg.	Operating Income 9/30/89	Int. on MBS /Oper. Inc. 9/30/89
1	Home Savings of America FA, Irwindale, Calif.	6,362,853	5,810,205	9.51	38,215,212	32,517,857	16.65	17.87	595,114	344,023	72.99	3,475,458	17.12
2	New West Federal S&L Assn., Stockton, Calif.	6,222,028	N.A.	...	15,958,921	N.A.	38.99	...	864,815	N.A.	...	2,101,141	41.16
3	First Federal of Michigan, Detroit	5,048,860	4,347,938	16.12	11,484,761	11,616,088	43.96	37.43	438,719	378,482	15.92	1,071,857	40.93
4	Meritor Savings Bank, Philadelphia	4,797,493	N.A.	...	11,849,452	N.A.	40.49	...	N.A.	N.A.	...	N.A.	N.A.
5	Standard Federal Bank, Troy, Mich.	4,346,989	4,616,422	-5.84	9,650,690	9,812,225	45.04	47.05	437,113	405,966	7.67	933,697	46.82
6	Franklin Savings Assn., Ottawa, Kan.	3,835,469	3,391,150	13.10	9,500,691	8,623,587	40.37	39.32	322,850	337,061	-4.22	823,104	39.22
7	Great Western Bank, FSB, Beverly Hills, Calif.	3,336,886	2,710,514	23.11	34,589,835	29,216,380	9.65	9.28	292,893	227,971	28.48	3,355,163	8.73
8	Goldome Saving Bank, Buffalo, N.Y.	3,332,837	N.A.	...	12,498,324	N.A.	26.67	...	N.A.	N.A.	...	N.A	N.A.
9	Guardian Savings & Loan Assn., Houston	3,192,407	3,165,027	0.87	3,784,053	3,960,337	84.36	79.92	285,294	259,796	9.81	354,807	80.41
10	Commercial Federal S&L Assn., Omaha, Neb.	3,024,463	3,123,629	-3.17	6,070,149	6,377,858	49.83	48.98	310,031	261,660	18.49	590,830	52.47
11	Columbia Saving & Loan Assn., Beverly Hills, Calif.	2,736,620	3,459,155	-20.89	11,619,293	11,432,891	23.55	30.26	299,695	324,847	-7.74	1,249,184	23.99
12	Santa Barbara Savings & Loan Assn., Calif.	2,669,878	2,341,470	14.03	4,743,543	5,025,414	56.28	46.59	253,645	234,375	8.22	458,642	55.30
13	Crossland Savings, FSB, Brooklyn, New York	2,611,750	3,449,440	-24.28	11,853,967	12,510,499	22.03	27.57	243,477	355,525	-31.52	945,373	25.75
14	Glendale Federal Savings & Loan Assn., Calif.	2,383,438	3,199,101	-25.50	23,505,152	23,758,220	10.14	13.47	304,355	286,129	6.37	2,362,791	12.88
15	First Nationwide Bank, FSB, San Francisco	2,194,105	1,265,331	73.40	24,174,898	23,550,855	9.08	5.37	209,638	94,691	121.39	2,374,463	8.83
16	World Savings & Loan Assn., FS&LA, Oakland, Calif.	2,103,906	2,268,932	-7.27	19,281,771	15,167,024	10.91	14.96	210,817	228,239	-7.63	1,777,521	11.86
17	American Savings & Loan Assn., Miami	2,083,811	2,256,128	-7.64	5,014,067	4,927,333	41.56	45.79	222,611	81,603	172.80	478,083	46.56
18	Seamen's Bank for Savings, FSB, New York	1,965,306	2,796,939	-29.73	4,018,538	5,022,794	48.91	55.68	234,853	209,547	12.08	396,463	59.24
19	Anchor Savings Bank, FSB, Northport, N.Y.	1,845,643	632,107	191.98	8,769,786	8,337,375	21.05	7.58	127,799	73,316	74.31	769,120	16.62
20	Talman Home Federal Savings & Loan Assn., Chicago	1,842,156	1,967,323	-6.36	6,039,955	6,089,366	30.50	32.31	180,979	178,554	1.36	548,764	32.98
21	Transohio Savings Bank, Cleveland	1,812,336	2,372,956	-23.63	6,017,331	6,475,577	30.12	36.64	180,408	187,562	-3.81	593,791	30.38
22	Florida Federal Savings Bank, St. Petersburg	1,758,113	1,334,732	31.72	4,869,491	5,086,128	36.10	26.24	128,766	124,150	3.72	436,126	29.52
23	Roosevelt Bank, FSB, Chesterfield, Mo.	1,679,978	1,308,849	28.36	2,693,597	2,423,028	62.37	54.02	144,034	110,577	30.26	251,904	57.18
24	Crossland Savings, FSB, Salt Lake City, Utah (a)	1,675,381	1,069,793	56.61	3,470,568	2,594,256	48.27	41.24	126,626	68,885	83.82	295,578	42.84
25	California Federal Bank, FSB, Los Angeles	1,639,363	920,782	78.04	23,194,753	24,715,137	7.07	3.73	110,046	96,986	13.47	2,493,859	4.41
26	Northeast Savings, FA, Hartford, Conn.	1,622,751	2,834,443	-42.75	6,287,800	8,210,735	25.81	34.52	244,238	206,336	18.37	735,617	33.20
27	Great American First Savings Bank, San Diego, Calif.	1,558,513	1,577,682	-1.22	13,391,389	12,667,489	11.64	12.45	132,517	165,105	-19.74	1,208,571	10.96
28	Dime Savings Bank of New York, FSB, Garden City	1,511,668	1,201,763	25.79	12,364,587	11,451,143	12.23	10.49	130,321	97,433	33.75	1,134,573	11.49
29	Washington Mutual Savings Bank, Seattle	1,483,927	N.A.	...	5,926,043	N.A.	25.04	...	N.A.	N.A.	...	N.A.	N.A.
30	MeraBank, FSB, Phoenix	1,399,312	1,513,132	-7.52	6,736,135	7,161,251	20.77	21.13	128,910	120,202	7.24	562,349	22.92
31	Household Bank, FSB, Newport Beach, Calif.	1,387,245	856,701	61.93	7,019,265	4,465,021	19.76	19.19	107,960	86,021	25.50	538,205	20.06
32	Atlantic Financial Federal, Bala-Cynwyd, Pa.	1,368,023	1,330,339	2.83	5,857,560	6,323,361	23.35	21.04	114,568	110,094	4.06	560,973	20.42
33	Empire of America, FSB, Buffalo, N.Y.	1,339,676	1,439,322	-6.92	10,164,745	11,646,781	13.18	12.36	154,161	127,920	20.51	1,044,333	14.76
34	Georgia Federal Bank, FSB, Atlanta	1,323,874	1,522,151	-13.03	4,166,556	4,238,808	31.77	35.91	110,495	108,686	1.66	362,696	30.46
35	CenTrust Bank, SSB, Miami	1,312,483	2,928,367	-55.18	8,961,146	9,680,923	14.65	30.25	262,621	245,243	7.09	930,107	28.24
36	Primerit Bank, FSB, Las Vegas	1,288,389	1,237,236	4.13	2,809,902	2,769,557	45.85	44.67	119,824	99,766	20.11	283,122	42.32
37	TCF Bank Savings, FSB, Minneapolis	1,263,858	1,804,533	-29.96	4,694,214	5,335,096	26.92	33.82	138,835	191,799	-27.61	499,164	27.81
38	Benjamin Franklin Federal S & L Assn., Portland	1,215,521	1,480,452	-17.90	5,023,776	5,418,782	24.20	27.32	150,189	167,909	-10.55	497,002	30.22
39	Imperial Savings Assn., San Diego, Calif.	1,197,612	1,206,714	-0.75	11,006,230	12,405,444	10.88	9.73	113,370	145,597	-22.13	1,220,995	9.29
40	City Federal Savings Bank, Elizabeth, N.J.	1,171,843	1,784,163	-34.32	9,813,776	10,786,830	11.94	16.54	145,755	172,867	-15.68	1,014,630	14.37
41	Bright Banc, SA, Dallas	1,155,556	1,388,713	-16.79	3,811,072	4,530,584	30.32	30.65	108,742	123,657	-12.06	332,841	32.67
42	Coast Savings & Loan Assn., Los Angeles	1,123,855	1,328,959	-15.43	11,319,841	12,273,922	9.93	10.83	123,196	114,119	7.95	1,201,206	10.26
43	Farm & Home Savings Assn., Nevada, Mo.	949,300	1,377,998	-31.11	3,154,917	3,705,599	30.09	37.19	122,973	107,516	14.38	307,247	40.02
44	Financial Federal S & L Assn., Miami Lakes, Fla.	949,081	769,617	23.32	1,653,808	1,548,671	57.39	49.70	76,276	53,567	42.39	147,787	51.61
45	First Federal Savings & Loan Assn., Rochester, N.Y.	934,252	881,742	5.96	5,662,373	5,395,684	16.50	16.34	81,458	66,941	21.69	523,026	15.57
46	Metropolitan Federal Bank, FSB, Fargo, N.D.	915,525	961,299	-4.76	2,609,473	2,443,146	35.08	39.35	89,278	83,919	6.39	251,028	35.56
47	Williamsburgh Savings Bank, Brooklyn, New York	893,843	N.A.	...	3,014,894	N.A.	29.65	...	N.A.	N.A.	...	N.A.	N.A.
48	Gibraltar Savings, Beverly Hills, Calif.	892,982	5,475,260	-83.69	8,223,249	13,113,246	10.86	41.75	371,748	510,019	-27.11	1,015,580	36.60
49	Columbia Federal Savings & Loan Assn., Denver	882,269	N.A.	...	4,637,360	N.A.	19.03	...	72,071	N.A.	...	357,605	20.15
50	Home Federal Savings & Loan Assn., San Diego, Calif.	868,355	790,070	9.91	17,359,622	16,157,591	5.00	4.89	76,325	74,470	2.49	1,749,078	4.36
51	Society for Savings, Hartford, Conn.	859,875	N.A.	...	4,328,687	N.A.	19.86	...	N.A.	N.A.	...	N.A.	N.A.
52	Community Federal Savings & Loan Assn., St. Louis	853,713	970,011	-11.99	3,431,708	3,641,436	24.88	26.64	91,742	87,156	5.26	326,439	28.10
53	Altus Bank, FSB, Mobile, Ala.	835,086	748,980	11.50	2,362,128	2,748,418	35.35	27.25	73,420	68,139	7.75	250,390	29.32
54	Citizens Federal Bank, FSB, Miami	807,186	316,316	155.18	4,387,509	3,477,064	18.40	9.10	62,041	31,710	95.65	387,382	16.02
55	Bank Western, FSB, Denver	804,529	1,014,891	-20.73	3,307,052	3,689,283	24.33	27.51	81,654	90,218	-9.49	317,961	25.68
56	Pima Savings & Loan Assn., Tucson, Ariz.	800,727	689,829	16.08	3,178,225	3,258,324	25.19	21.17	52,037	29,353	77.28	272,944	19.07
57	HonFed Bank, FSB, Honolulu	794,816	916,771	-13.30	3,081,796	2,557,236	25.79	35.85	82,568	69,952	18.04	276,418	29.87
58	Pacific First Federal Savings Bank, Seattle	792,692	1,102,566	-28.10	5,921,404	5,490,332	13.39	20.08	84,506	110,264	-23.36	577,851	14.62
59	Chevy Chase Savings Bank, FSB, Md.	783,189	523,721	49.54	4,762,065	4,140,460	16.45	12.65	50,589	45,898	10.22	614,183	8.24
60	Carteret Savings Bank, FA, Newark, N.J.	780,802	1,079,366	-27.66	6,791,547	6,163,671	11.50	17.51	119,051	111,815	6.47	664,585	17.91
61	Secor Bank, FSB, Birmingham, Ala.	777,345	437,723	77.59	2,354,046	2,583,515	33.02	16.94	70,618	33,679	109.68	245,499	28.77
62	First Minnesota Savings Bank, FSB, Minneapolis	753,684	651,029	15.77	3,232,277	3,330,402	23.32	19.55	57,250	55,647	2.88	315,736	18.13
63	Home Owners Savings Bank, FSB, Boston	751,798	993,391	-24.32	3,705,268	3,930,051	20.29	25.28	79,640	76,126	4.62	423,601	18.80
64	American Savings Bank, FSB, White Plains, N.Y.	745,623	623,047	19.67	4,256,337	4,187,156	17.52	14.88	61,518	42,968	43.17	361,431	17.02
65	Western Federal S & L Assn., Marina Del Rey, Calif.	739,155	622,373	18.76	4,496,601	4,299,466	16.44	14.48	68,861	26,472	160.13	454,202	15.16
66	Dollar Dry Dock Bank, White Plains, N.Y.	729,885	N.A.	...	5,105,837	N.A.	14.30	...	N.A.	N.A.	...	N.A.	N.A.
67	Fulton Federal Savings Bank, Atlanta	724,854	955,588	-24.15	2,451,038	2,561,673	29.57	37.30	76,654	75,176	1.97	241,379	31.76
68	Perpetual Savings Bank, FSB, McLean, Va.	710,540	874,366	-18.74	6,113,297	5,871,015	11.62	14.89	86,517	69,495	24.49	589,833	14.67
69	Greater New York Savings Bank, Brooklyn	710,327	N.A.	...	3,209,916	N.A.	22.13	...	N.A.	N.A.	...	N.A.	N.A.
70	Homestead Savings, FS&LA, San Francisco	709,027	1,841,370	-61.49	3,311,487	5,697,169	21.41	32.32	157,005	184,986	-15.13	502,574	31.24
71	Great Lakes Bancorp., FSB, Ann Arbor, Mich.	693,123	730,550	-5.12	3,448,308	3,356,445	20.10	21.77	72,239	59,014	22.41	353,094	20.46
72	Fortune Savings Bank, Clearwater, Fla.	680,932	809,810	-15.91	3,209,029	3,140,950	21.22	25.78	50,497	76,018	-33.57	315,726	15.99
73	Far West Savings & Loan Assn., Newport Beach, Calif.	680,237	358,251	89.88	4,806,397	4,558,589	14.15	7.86	37,994	25,773	47.42	431,474	8.81
74	Long Island Savings Bank of Centereach, N.Y. (b)	679,221	574,755	18.18	2,778,045	2,924,567	24.45	19.65	52,000	51,708	0.56	254,827	20.41
75	St. Paul Federal Bank for Savings, Chicago	657,421	408,524	60.93	3,380,510	3,255,877	19.45	12.55	41,473	29,127	42.39	303,639	13.66
76	River Bank America, New York	625,311	N.A.	...	2,955,800	N.A.	21.16	...	N.A.	N.A.	...	N.A.	N.A.
77	American Savings Bank, FSB, Honolulu	603,123	490,430	22.98	1,675,451	1,301,843	36.00	37.67	59,807	18,577	221.94	141,388	42.30
78	Southern California S & L Assn., FS&LA, Beverly Hills	587,166	626,529	-6.28	2,238,959	2,035,115	26.22	30.79	68,113	48,217	41.26	200,871	33.91
79	Far West Federal Bank, Portland, Ore.	573,273	447,189	28.19	3,591,805	2,847,343	15.96	15.71	52,636	29,831	76.45	314,738	16.72
80	Washington Federal Savings & Loan Assn., Seattle	573,056	518,909	10.43	2,437,604	2,251,606	23.51	23.05	51,522	44,117	16.78	249,381	20.66
81	Columbia First Federal S & L Assn., Arlington, Va.	566,265	597,947	-5.30	2,163,221	2,175,967	26.18	27.48	51,260	54,746	-6.37	208,290	24.61
82	Poughkeepsie Savings Bank, FSB, N.Y.	552,744	519,362	6.43	1,665,147	1,694,944	33.19	30.64	47,346	14,153	234.53	163,929	28.88
83	D&N Savings Bank, FSB, Hancock, Mich.	551,672	695,784	-20.71	2,103,651	2,211,142	26.22	31.47	54,937	53,955	1.82	201,749	27.23
84	Leader Federal Bank for Savings, Memphis, Tenn.	535,115	570,814	-6.25	2,277,374	2,615,956	23.50	21.82	48,556	61,121	-20.56	247,726	19.60
85	Amerifirst Bank, FSB, Miami	528,679	599,891	-11.87	4,293,592	4,539,852	12.31	13.21	50,871	53,713	-5.29	386,173	13.17
86	Decatur Federal Savings & Loan Assn., Ga.	515,700	328,342	57.06	2,437,006	2,238,851	21.16	14.67	37,849	19,088	98.29	249,712	15.16
87	Western Savings & Loan Assn., FA, Phoenix	505,835	N.A.	...	5,228,264	N.A.	9.68	...	23,929	N.A.	...	201,132	11.90
88	East New York Savings Bank, Brooklyn	504,684	N.A.	...	2,128,298	N.A.	23.71	...	N.A.	N.A.	...	N.A.	N.A.
89	First Gibraltar Bank, FSB, Houston	503,359	N.A.	...	9,817,678	N.A.	5.13	...	44,697	N.A.	...	786,697	5.68
90	Hudson City Savings Bank, Paramus, N.J.	498,590	N.A.	...	3,160,344	N.A.	15.78	...	N.A.	N.A.	...	N.A.	N.A.
91	Mercury Savings & Loan Assn., Huntington Beach, Calif.	492,130	328,717	49.71	2,251,616	2,618,936	21.86	12.55	33,293	21,256	56.63	233,745	14.24
92	United Savings of Texas, FSB, Houston	489,638	N.A.	...	3,583,083	N.A.	13.67	...	27,276	N.A.	...	314,160	8.68
93	Rochester Community Savings Bank, N.Y.	487,645	N.A.	...	4,214,322	N.A.	11.57	...	N.A.	N.A.	...	N.A.	N.A.
94	South Boston Savings Bank, Boston	482,290	N.A.	...	1,458,589	N.A.	33.07	...	N.A.	N.A.	...	N.A.	N.A.
95	Great American First Savings Bank, FSB, Tucson, Ariz.	478,161	629,870	-24.09	3,719,431	3,866,626	12.86	16.29	47,023	65,596	-28.31	335,581	14.01
96	ABQ Bank, FSB, Albuquerque, N.M.	477,704	523,387	-8.73	2,205,600	2,217,225	21.66	23.61	41,906	63,145	-33.64	200,759	20.87
97	BankAtlantic, FSB, Fort Lauderdale, Fla.	476,008	573,880	-17.05	1,996,998	2,179,678	23.84	26.33	48,652	54,307	-10.41	201,580	24.14
98	First Federal Savings & Loan Assn., Pittsburgh	466,967	355,276	31.44	3,161,141	2,939,968	14.77	12.08	40,280	18,027	123.44	273,432	14.73
99	Peoples Heritage Savings, FS&LA, Salina, Kan.	464,951	N.A.	...	1,589,005	N.A.	29.26	...	5,460	N.A.	...	(7,135)	-76.52
100	Union Federal Savings Bank, Los Angeles	456,886	107,658	324.39	2,343,222	2,146,165	19.50	5.02	19,178	8,830	117.19	239,556	8.01

Data Sources: All data are from **ADP Data Services Division, New York.** Data for SAIF-insured institutions and BIF-insured savings banks are from ADP's Office of Thrift Supervision and Federal Deposit Insurance Corp. data bases, respectively. **Total Mortgage Securities** are mortgage-backed pass-through securities held in the thrift's portfolio on Sept. 30. **Mortgage-backed pass-through securities** are the sum of: all mortgage-backed pass-through securities insured or guaranteed by an agency or instrument of the United States (e.g., FHLMC, FNMA, or GNMA), including those eligible for liquidity plus conventional mortgage-backed pass-through securities that are not insured or guaranteed by an agency or instrument of the United States. They include Mortgage Guaranty Insurance Corp. (MGIC) short-term participation certificates which are collateral loans secured by liens on real estate. **Interest earned on mortgage securities** is all interest earned on mortgage pool securities for the year-ended Sept. 30, 1989, (sum of the four quarters ended Sept. 30, 1989). Included is the amortization of discounts and premiums earned during the period. **Total operating income** is the sum of gross interest income from loans and investments; plus net income from leasing, REO operations, service corporations and subsidiaries, and office building operations; plus all other operating income, for year-ended June 30, 1988. **Mtge. Int./Oper. Inc.** is the ratio of interest earned on mortgage securities to total operating income, expressed as a percentage. **(a)**— A subsidiary of Crossland Savings, FSB, Brooklyn, New York, For regulatory purpoees, the parent and subsidiary report separately. **(b)**— A division of Long Island Savings Bank FSB, Syosset, N.Y. **( )**— Indicates net operating loss. **N.A.**— Not available.

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TOP MORTGAGE-BACKED SECURITIES HOLDINGS

Summary Statistics

Top 100 Banks in Mortgage-Backed Securities – Sept. 30, 1989

Largest Ratios: Mortgage-Backed Securities/Assets

		Ratio (%)
1.	Int'l Bank of Commerce, Laredo, Tex.	42.46
2.	Frost National Bank, San Antonio, Tex.	27.22
3.	Key Bank of W. New York NA, Jamestown	26.09
4.	Marine Bank, Warren, Penn.	25.78
5.	Signet Bank/Virginia, Richmond	24.97
6.	First Union Nat'l Bank, Greenville, S.C.	24.85
7.	Pittsburgh National Bank	24.26
8.	Norwest Bank North Dakota NA, Fargo	23.83
9.	Norwest Bank S. Dakota NA, Sioux Falls	21.46
10.	Bank of Baltimore	21.09

Largest Ratios: M-B Securities/Total Securities

		Ratio (%)
1.	First Union Nat'l Bank, Greenville, S.C.	95.90
2.	Norwest Bank Des Moines NA, Iowa	92.33
3.	Int'l Bank of Commerce, Larado, Tex.	87.73
4.	Signet Bank/Maryland, Baltimore	85.78
5.	Signet Bank/Virginia, Richmond	84.29
6.	Wells Fargo Bank NA, San Fransisco	82.23
7.	Pittsburgh National Bank	81.76
8.	Dominion Bank NA, Roanoke, Va.	79.25
9.	Bank of Baltimore	76.85
10.	Norwest Bank S. Dakota NA, Sioux Falls	74.56

Largest Gainers in M-B Securities (9/88-9/89)

		(%)
1.	NCNB National Bank of Florida, Tampa	46,635
2.	Texas Commerce Bank NA, Houston	2,486
3.	Bank of Hawaii, Honolulu	1,827
4.	United States Nat'l Bank, Portland, Ore.	1,619
5.	Bank One Dayton NA, Ohio	1,408
6.	Ameritrust Co. NA, Cleveland	548
7.	Southern Nat'l Bk of N.C., Lumberton	512
8.	Connecticut Bank & Trust Co. NA, Hartford	463
9.	Fidelity Bank NA, Philadelphia	452
10.	Key Bank of Western N.Y. NA, Jamestown	436

Top 100 Thrifts in Mortgage-Backed Securities – Sept. 30, 1989

Largest Ratios: Mortgage-Backed Securities to Assets

		Ratio (%)
1.	Guardian Savings & Loan Assn., Houston	84.36
2.	Roosevelt Bank, FSB, Chesterfield, Mo.	62.37
3.	Financial FS & LA, Miami Lakes, Fla.	57.39
4.	Santa Barbara S&LA, Calif.	56.28
5.	Commercial FS & LA, Omaha, Neb.	49.83
6.	Seamen's Bk for Svgs, FSB, New York	48.91
7.	Crossland Svgs, FSB, Salt Lake City, Utah	48.27
8.	Prime:t Bank, FSB, Las Vegas, Nev.	45.85
9.	Standard Federal Bank, Troy, Mich.	45.04
10.	First Federal of Michigan, Detroit	43.96

Largest Gainers in M-B Securities (9/88-9/89)

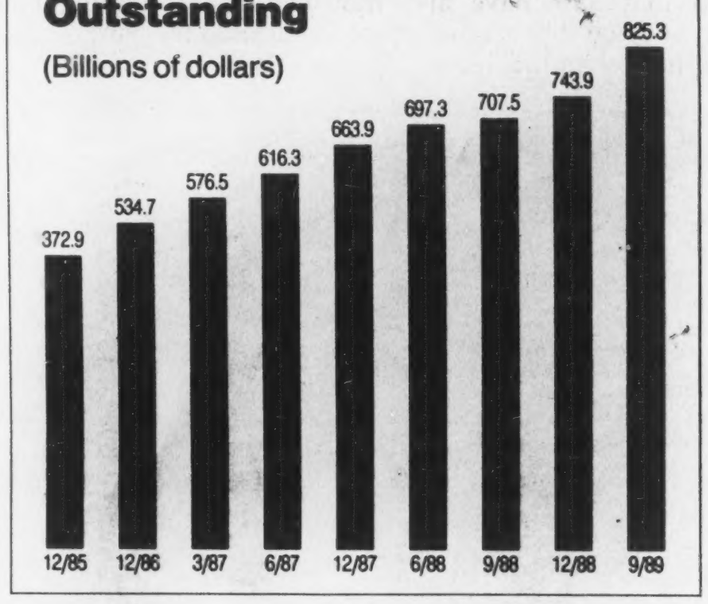
		(%)
1.	Union Federal Savings Bank,Los Angeles	324.39
2.	Anchor Svgs Bank, FSB, North Port, N.Y.	191.98
3.	Citizens Federal Bank, FSB, Maimi	155.18
4.	Far West S & LA, Newport Beach Calif.	89.88
5.	California Federal Bank, FSB, Los Angeles	78.04
6.	Secor Bank, FSB, Birmingham, Ala.	77.59
7.	First Nationwide Bk, FSB, San Francisco	73.40
8.	Household Bank, FSB, Newport Beach, CA	61.93
9.	St. Paul Federal Bank for Svgs, Chicago	60.93
10.	Decatur FS & LA, Georgia	57.06

Largest Declines in M-B Securities (9/88-9/89)

		(%)
1.	Gibraltar Savings, Beverly Hills, Calif.	-83.69
2.	Homestead Svgs, FS & LA, San Francisco	-61.49
3.	CenTrust Bank, SSB, Miami	-55.18
4.	Northeast Savings, FA, Hartford, Conn.	-42.75
5.	City Federal Savings Bank, Elizabeth, N.J.	-34.32
6.	Farm & Home Savings Assn., Nevada, Mo.	-31.11
7.	TCF Bank Savings, FSB, Minneapolis	-29.96
8.	Seamen's Bank for Savings, FSB, N.Y.	-29.73
9.	Pacific First Federal Svgs Bank, Seattle	-28.10
10.	Carteret Savings Bank, FA, Newark, N.J.	-27.66

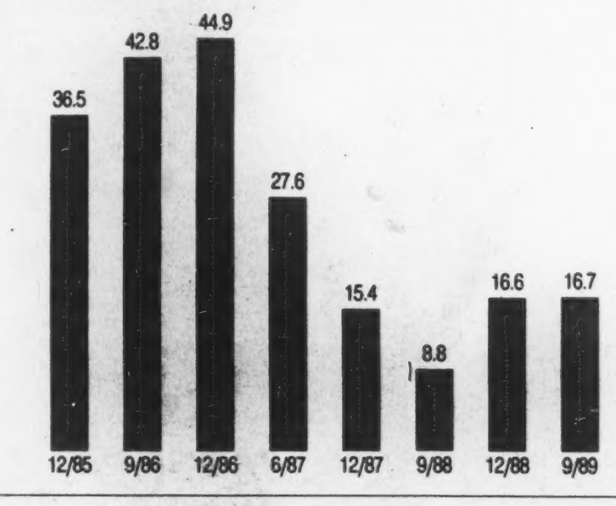
Government M-B Securities Outstanding

(Billions of dollars)

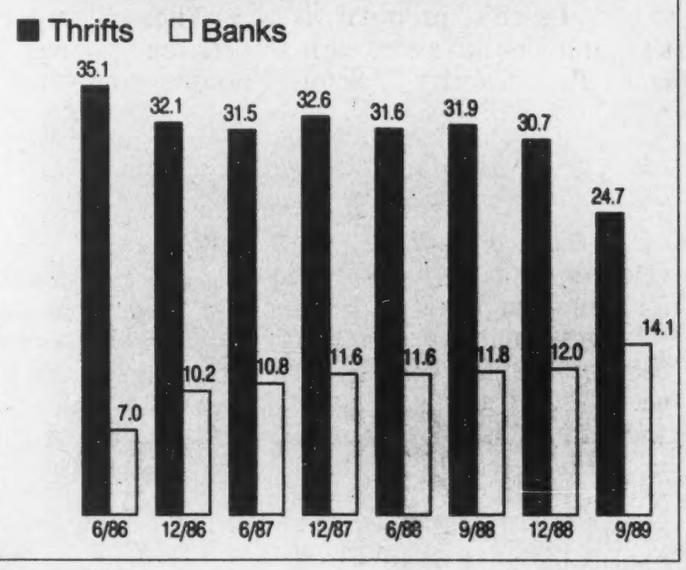


Government M-B Securities: Annual Growth Rates

(Percentage)



Percentage of Total Mortgage-Backed Securities



Bank and Thrift Holdings of Mortgage-Backed Securities

December 31, 1985 to September 30,1989 (Billions of dollars)

		Thrift Mortgage-Backed Securities					Bank Mortgage-Backed Securities				
Date	Mortgage-Backed Securities Outstanding[1]	Total Held[2]	As % of Total Outstanding	As % of Thrift Assets	Held by Top 100 Thrifts	Top 100's % Share of Thrift Total	Total Held[3]	As % of Total Outstanding	As % of Bank Assets	Held by Top 100 Banks	Top 100's % Share of Bank Total
9/30/89	$859.0	$212.0	24.7%	13.8%	$134.4	63.4%	120.8	14.1%	3.8%	$73.5	60.8%
12/31/88	774.1	237.7	30.7	15.0			92.5	12.0	3.0		
9/30/88	735.3	234.2	31.9	15.0	N.A.	N.A.	86.9	11.8	2.8	48.3	55.6
6/30/88	728.0	230.2	31.6	15.2	154.8	67.2	84.3	11.6	2.8	48.1	57.1
12/31/87	692.0	225.5	32.6	15.4			80.6	11.6	2.7		
6/30/87	637.7	200.6	31.5	14.3	134.9	67.2	68.6	10.8	2.4	$39.3	57.3
12/31/86	546.5	175.3	32.1	13.0			55.5	10.2	1.9		
6/30/86	434.2[2]	152.6	35.1	11.8	N.A.	N.A.	30.3	7.0	1.1	$18.0	59.4
12/31/85	372.9[2]	122.7	32.9[4]	10.0			24.5	6.6	0.9		

Mortgage-Backed Securities include mortgage-backed pass through securities issued or guaranteed by an agency or instrument of the U.S. plus privately-issued mortgage-backed pass through securities. (1)— Sources of these data: **Inside Mortgage Capital Markets, a Washington, D.C.**-based publication for the secondary mortgage market. In addition, **Inside Mortgage Capital Markets** provided data on privately-issued mortgage-backed securities for the periods 6/87 and 12/86. Data on privately-issued mortgage-backed securities were not available prior to 12/86. For the three periods 12/85 through 12/86, data for government mortgage-backed securities were provided by **Mortgage Bankers Association of America, Washington, D.C.** (2)— Totals include government mortgage-backed securities only. (3)— Sources of these data: the **Office of Thrift Supervision, Washington, D.C.** for SAIF-insured thrifts, and the **Federal Deposit Insurance Corp., Washington, D.C.** for BIF-insured thrifts. (4)— **American Banker** estimated the mortgage-backed securities held by FDIC-insured thrifts on 12/85. **N.A.**— Not available.

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NOTE

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Banks Question Marching Orders In Drug Battle

By ROBERT M. GARSSON

WASHINGTON — As former chief of the Justice Department's narcotics division, Charles W. Blau knows how important bank transaction records can be in making a drug case. But Mr. Blau has come to believe that the government, in its zeal to wage war on drugs, is asking too much of the banking industry.

"Banks are participating more as law enforcement agents of the government and less as protectors of customers' rights to privacy," said Mr. Blau, a lawyer with Dallas-based Davis, Meadows, Owens, Collier & Zachry. "I think it's a great problem."

ANALYSIS *Follow-up on the news*

Many in the banking industry agree. Drafted as foot soldiers in the government's war on drugs, bankers are grumbling more and more about the generals' battle plan.

While the industry has come to agree that it should play a role in combatting the laundering of drug funds, it is increasingly concerned about the costs and liabilities incurred. And bankers are wondering whether the government is collecting the right information and using it effectively.

Facing a Dilemma

One major problem, bankers said, is dealing with suspicious transactions. Banks are obligated to report such transactions to the authorities. Having done so, however, they face a dilemma. If they cease doing business with the customer, they can be sued. In 1982, Key Bancshares of Maine Inc.'s bank subsidiary cut off a credit line to two men after agents from the Federal Bureau of Investigation told them – erroneously, it turned out – that one of the two was linked to organized crime. A jury awarded the two $15 million in a 1987 decision.

But the bank may have an even bigger problem if it continues the relationship and the customer turns out to be trafficking in illegal drugs. The U.S. Code, amended by the Money Laundering Control Act of 1986, makes it a crime for a financial institution to engage in transactions involving "criminally derived property."

By filing a suspicious-transaction report, the bank has gone on record as having some knowledge of the possibility of illegal activity, and "mere knowledge of the illegal source of the funds" establishes a violation of the law, said John Villa, a lawyer

See **BANKS** *page* **9**

INSIDE NEWS

FINANCE

CITIBANK'S expected bridge loan to Lin Broadcasting could result in a lead agent role on $2.4 billion of permanent financing for the company. *Page 20*

INTERNATIONAL

AS VENEZUELA TRIES to get concessions from its foreign creditors, U.S. banks are pushing for broader powers in that country. *Page 10*

REAL ESTATE

NORTHEAST BANKS in general have not suffered as badly as Bank of New England from the downturn in the real estate market. *Page 8*

TECHNOLOGY

CITICORP'S QUOTRON unit will continue to lose money despite a restructuring, analysts predict, forcing the company out of the information business. *Page 3*

PEOPLE

JOHN D. MANGELS, chairman of Security Pacific Bancorporation Northwest, announced he will retire on May 1 after more than 40 years with the company and its predecessor, Rainier Bancorp. *Page 2*

CONSUMER

CREDIT UNIONS are bracing for a fight as banks prepare to lobby the new Congress heavily to end their tax-exempt status. *Page 6*

OTHER NEWS

FIRST INTERSTATE Bancorp posted a net loss of $344.3 million for the fourth quarter and a $124.5 million loss for the full year. *Page 2*

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Financial Services Stocks	19

Top Bank Dealers of Commercial Paper

	Overall Rank*	Programs 1989	Programs 1988	Outstandings ($ in billions) 1989	Outstandings ($ in billions) 1988
Bankers Trust	5	150	130	$16.0	$11.0
Citibank	6	114	94	13.0	8.0
Bank of America	8	88	53	6.1	3.8
Morgan Guaranty	9	83	63	6.5	7.0
Chemical	10	35	31	3.5	2.0
First National Bank of Georgia	11	35	26	3.5	NA

Domestic programs only. Banks' own commercial paper is excluded.
*Including brokerage companies

Source: American Banker

Banks Make New Drive Into Commercial Paper

By DAVID NEUSTADT

NEW YORK — After years of losing top loan customers to the commercial paper market, many big banks are breaking into the ranks of major dealers there.

Last year, the six most active banks in the $529 billion market for short-term corporate securities boosted their number of programs 26% to 503, and the volume of paper outstanding 77% to $53 billion, according to an informal survey by the *American Banker.*

Wall Street's Tight Hold

Despite their gains, commercial banks still stand well behind investment banks. Merrill Lynch & Co., with 718 programs and $82 billion in paper outstanding, has more business than the top six commercial banks combined.

While a few investment banks still dominate the market, some major players, such as Salomon Brothers Inc., have dropped out. Profit pressures may force other investment banks to cut back their activities in commercial paper distribution, a business with a notoriously thin margin. That could create more opportunities for the commercial banks, which claim to have lower operating costs than their Wall Street competitors.

Short-Term Needs Vary

Commercial paper is sold through what is called a program, because companies use the security for short-term needs, which vary through the year. Some companies have several programs for different needs or subsidiaries.

About 40% of commercial paper is sold directly by companies. The rest, about $313 billion, is placed through dealers.

See **BANKS** *page* **7**

U.S. Issues Tough Rules For Licensing Appraisers

By BARBARA A. REHM

WASHINGTON — Moving to curb inflated housing appraisals that contributed to the savings and loan debacle, federal regulators have announced strict guidelines for the licensing of real estate appraisers.

The guidelines, required by the thrift-bailout law passed last August, force states to set up licensing agencies that cannot be controlled by the real estate or appraisal industries.

The nation's 250,000 appraisers have until mid-1991 to get state approval. Only about a dozen states currently require a real estate license or any other qualification.

Rules 'Unrealistic'

State real estate regulators, realtors, and appraisers complained that the guidelines were unrealistic.

"I think they are being too rigid," said Wallace Collins, the administrator of the Texas Real Estate Commission, a regulatory body. Keeping the real estate and appraiser industries out of the approval process is "totally unnecessary," he said.

"What we are upset about is the inability for appraisers to have a majority on the [state-licensing] boards, but we're hope-

See **STIFF** *page* **14**

Analysts See Possible Crisis At Boston Bank

By KELLEY HOLLAND

If the beleaguered Bank of New England falls short of its plan to dispose of assets, it will face a funding crisis, analysts said Monday.

Money market traders report that secondary market activity for the roughly $5 billion of institutional-size certificates of deposit outstanding has virtually ceased, and at least one bank stock analyst believes insolvency due to a liquidity crunch may be just two to four weeks away.

CD Market Has Dried Up

"The market for Bank of New England CDs has totally dried up over the last few days," said one jumbo CD trader. "I've seen some people looking for bids here," said another, but "there hasn't been a secondary market trade in a Bank of New England CD for some time."

See **CAPITAL** *page* **18**

Big California Thrifts Buck Trend, Gain Deposits in 'Flight to Quality'

By ELLEN MEMMELAAR

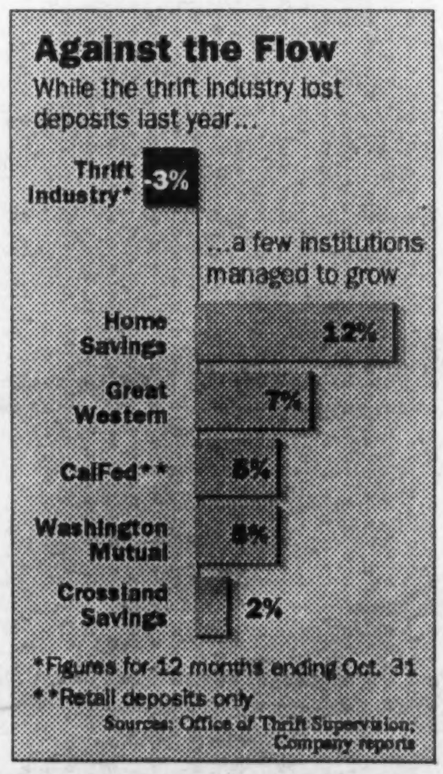
NEW YORK — While the overall thrift industry lost deposits at a record rate last year, a few healthy thrifts managed to attract substantial new funds in what executives and analysts call a flight to quality.

The two biggest deposit gainers among the largest thrifts last year were Home Savings of America and Great Western Bank, which rank No. 1 and No. 2 nationally in deposits and assets.

Billion-Dollar Gains

Home Savings, principal subsidiary of H.F. Ahmanson & Co., Los Angeles, increased total deposits by $3.6 billion, or 12%, to $33.1 billion as of Dec. 31. Great Western, based in Beverly Hills, Calif., gained $1.6 billion, or 7%, to $23.8 billion. (Along with their balance-sheet totals, Ahmanson and Great Western reported 1989 earnings Monday. See page 2.)

Deposit inflows at the two


Against the Flow
While the thrift industry lost deposits last year...
Thrift Industry* -3%
...a few institutions managed to grow
Home Savings 12%
Great Western 7%
CalFed** 8%
Washington Mutual 8%
Crossland Savings 2%
*Figures for 12 months ending Oct. 31
**Retail deposits only
Sources: Office of Thrift Supervision; Company reports

California thrifts contrasted sharply with industrywide performance – a net outflow through October 1989 of $60 billion. Aggregate thrift deposits at

See **BIG** *page* **14**

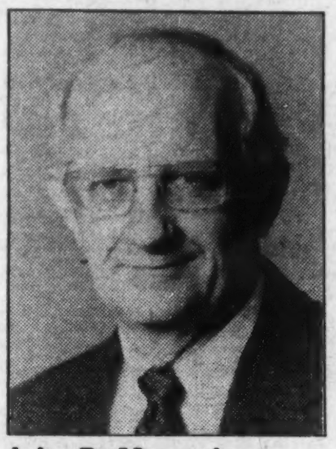
PEOPLE *in the news*

Mangels to Give Up Reins At Security Pacific Unit

Just days after **Security Pacific** Corp. announced a realignment at the top level, its Seattle-based subsidiary did the same.

John D. Mangels, 64, said he plans to retire April 30 after more than 40 years with Security Pacific Bancorporation Northwest and its predecessor, Rainier Bancorp. Succession will be orderly, as is customary at Security Pacific: John C. Getzelman, president and chief operating officer, will become chairman and chief executive of the $10.2 billion-asset company May 1, the day after Mr. Mangels retires.

Last Tuesday, Richard J. Flamson 3d said he would step down as chief executive officer of Security Pacific, but remain chairman.



John D. Mangels

Mr. Mangels, a Pacific Northwest native who was born in nearby Victoria, British Columbia, has been CEO for 2½ years. He succeeded G. Robert Truex Jr., the man generally credited with molding Rainier into a regional powerhouse. Mr. Mangels will remain chairman of the board's executive committee.

Mr. Mangels is regarded as "a real gentleman" by bank analyst Jay Tejera of **Dain Bosworth** & Co. in Seattle. "They're not making gentlemen like that any more," Mr. Tejera said. "You have to find someone his age. He epitomizes the old Rainier's relationship banking style."

Mr. Mangels said in an interview that he expects to spend time in retirement working with outside boards, especially on creating a stronger link between businesses and local schools. He also plans to travel, do some fly fishing, and "take five strokes off my golf game."

Observers say he was something of a transitional figure between Mr. Truex and the new regime at Security Pacific. Mr. Truex spearheaded the merger with Security Pacific, which was completed in August 1987, and retired that same year. He died in 1988, having suffered from emphysema for many years.

Mr. Mangel's long years in the community have built a rapport that Security Pacific wants very much to keep, Mr. Getzelman said in an interview.

"He grew up with this bank. He really is an institution," said Mr. Getzelman, 46, who became president of Security Pacific Northwest in 1988 after a career spent mostly overseas. He was executive vice president and head of Security Pacific's international division before moving to Seattle.

"One thing you're concerned about in a merger situation is that the identity with the community is lost, or the feeling that it may be lost," he added. "You take his 40 years and appreciate that he'll maintain an active role for us. And you convey to the Northwest that Security Pacific has ingrained its efforts into the area."

— **Jeffrey Marshall**

... *by region*

NEW ENGLAND

Centerbank, Waterbury, Conn., named **Robert J. Narkis,** a bank director, chairman and acting chief executive.

Federal Reserve Bank of Boston elected **Terrence Murray** to a three-year term as a Class A director. Mr. Murray is chairman, president, and chief executive of **Fleet/Norstar Financial Group** and chairman of Fleet National Bank, Providence, R.I.

Burritt Interfinancial Bancorp, New Britain, Conn., appointed **Joseph J. Cisz** vice president.

Northeast Savings, Hartford, Conn., elected **Kathreen M. Campbell** senior vice president of facilities and administration.

MIDDLE ATLANTIC

Chase Manhattan Corp. appointed 10 senior vice presidents. They are **Peter John Anderson,** Banco Chase Manhattan (Brazil); **Richard H. Evans,** international individual banking; **Robert R. Field,** worldwide insurance; **Richard P. Kotz,** national financial services; **Richard Mounce,** Chase Manhattan Bank (Korea); **Joseph M. Scharfenberger,** automotive financial services; **Richard Schrumpf,** North America corporate finance; **Diane Shaib,** direct response; and **Robert W. Shippee,** Europe corporate finance.

MIDWEST

Mercantile Bank of Kansas City, Mo., a subsidiary of **Mercantile Bancorp,** St. Louis, elected **David A. Dierks** executive vice president. He also will serve as manager of the metropolitan division. **Dennis J. Hudson** and **Gregg H. Thomas** were elected vice presidents.

WEST

Mechanics National Bank, Paramount, Calif., appointed **John P. Ryan** senior vice president and comanager of its real estate division.

County Bank, Santa Barbara, Calif., elected four vice presidents: **A. Mario Antignani,** collection and foreclosure manager for loan services; **Douglas H. Green,** loan service manager; **Richard J. Lowson,** consumer loan administrator; and **Kimberly Smith,** data systems manager.

— **Franklin Smith**

1st Interstate Loss Tops $340 Million

Fourth-Quarter Results Worse than Analysts Expected

By SAM ZUCKERMAN

SAN FRANCISCO — Battered by sour real estate loans in Arizona and Texas, First Interstate Bancorp reported a fourth-quarter loss of $344.3 million, higher than analysts' expectations.

The loss added a bitter note to last week's announcement of the resignation of chairman and chief executive officer Joseph J. Pinola and his replacement by president Edward M. Carson, which will take effect June 1. It compared with fourth-quarter earnings of $144 million in 1988.

The company took a loss for the full year of $124.5 million, compared with 1988 earnings of $129.4 million.

Loss Higher Than Predicted

Negative results were expected following December provisions of $300 million for losses at the Texas subsidiary and $100 million for potential real estate losses in other locations. But the net loss for the quarter was higher than predicted.

Analysts said a key reason was a sharp rise in expenses at other real estate owned, mainly foreclosed properties. Other real estate-related costs, principally in Texas and Arizona operations, were $133.7 million for the quarter, compared with an $8.4 million gain for the year-earlier period.

FIRST INTERSTATE BANCORP
Los Angeles
Dollar amounts in millions (except per share)

FOURTH QUARTER	4Q '89	4Q '88
Net income	($344.3)	$144.0
Per share	(7.56)	3.10
Net interest income (tax. equiv.)	594.8	683.7
Margin	4.67%	5.46%
ROA	NA	1.00%
ROE	NA	30.34%
Noninterest income	242.8	246.1
Noninterest expense	712.9	605.1
Loss provision	454.1	119.9
Net chargeoffs	160.1	271.1

FULL YEAR	1989	1988
Net income	($124.5)	$129.4
Per share	(3.30)	2.63
Net interest income (tax. equiv.)	2,506.2	2,475.5
Margin	5.00%	5.00%
ROA	NA	0.23%
ROE	NA	5.69%
Noninterest income	1,158.5	971.3
Noninterest expense	2,545.5	2,538.6

BALANCE SHEET	12/31/89	12/31/88
Assets	$59,051.4	$58,193.9
Deposits	46,467.7	44,148.7
Loans	38,205.4	37,799.0
Shareholder equity	2,339.3	2,239.9
Loss reserve	1,437.5	1,195.9
Reserve/loans ratio	3.76%	3.16%
Nonperf. loans	1,204.0	1,398.0
Nonperf. loans/loans	3.15%	3.70%
Primary capital ratio	6.80%	6.40%

On the balance sheet, other real estate owned nearly doubled to $907 million at the end of 1989 from $497 million a year earlier. "The number just went way up. They are sitting on a lot of stuff," said Dan B. Williams, analyst with Sutro & Co., San Francisco. The company seems to prefer to hold foreclosed real estate rather than sell in depressed markets, he said.

Another factor driving up the loss was a 13% drop in taxable-equivalent net interest income to $594.8 million, a performance substantially worse than First Interstate's California-based rivals.

Construction Loans Up

Real estate construction loans were up $368 million, or 9.4%, from the fourth quarter of 1988, with growth centered in California. The company said 77% of its $2.111 billion in nonperforming assets are real estate-related.

Despite the loss for the year, First Interstate said its capital position had improved marginally. Stockholders' equity amounted to $2.3 billion or 3.96% of assets, up from 3.85% the year before. □

Ahmanson Holds to Small Drop, Becoming No. 1 Thrift in Profits

By YVETTE D. KANTROW

NEW YORK — H.F. Ahmanson & Co., parent of the nation's largest thrift, reported a 3% earnings decline for the fourth quarter, but the company earned enough in the year to surpass Great Western Financial Corp. as the biggest profit maker among U.S. savings institutions.

Great Western, the No. 2 thrift in assets, outearned all other thrifts in 1988.

Los Angeles-based Ahmanson, which owns Home Savings of America and New York's Bowery Savings Bank, earned $65.9 million, or 66 cents a share, in the fourth quarter, down from $67.8 million, or 68 cents per share, in the fourth-quarter of 1988.

The thrift company attributed the decline to an increase in its effective tax rate for the quarter to 39.6% from 30.3%.

Great Western reported a fourth-quarter loss of $77.3 million, or 59 cents a share, causing earnings for the year to fall 60%

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Corrections

An article in the Jan. 18 issue ("Technology Execs Close Pay Gap at Banks," page 3) gave an incorrect source for the compensation of John Singleton, vice chairman of Security Pacific Corp. *Computerworld*, a trade publication, obtained the figure through research.

■

A Jan. 8 article ("AT&T Offers Banks Service to Cut Cost of Directory Calls," page 2) misidentified Henry Watkins. He is assistant vice president, telecommunications, at Boatmen's National Bank, St. Louis, a subsidiary of Boatmen's Bancshares Inc. □

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